AGRICULTURE

Agricultural Structure and Policy

Historically, the agricultural sector has been Turkey's largest employer and a major contributor to the country's GDP, exports and industrial growth. As the country has developed, the importance of agriculture has declined relative to the rapidly growing industry and services sectors. However it still accounts for a relatively larger share of total output and employment than in many other countries. Agriculture's share of GDP declined from 22% in 1980 to 8% in 2009. Although the importance of agriculture within the GDP decreases year by year, a substantial amount of the population still earns their living from agriculture. Crop production represents 67% of the total agricultural production, livestock represents 26% and the rest comprises forestry and fishery products.

Turkey is one of the largest producers and exporters of agricultural products in the Eastern Europe, Near Eastern and North African region. Despite Turkey's overall trade deficit, the agricultural trade balance is significantly positive, providing some relief to external accounts. Trade liberalization and rising demand in the region resulted in agricultural product exports (excluding agro-industry) rising to a value of approximately US$ 5.9 billion in 2009 and accounted for 5.8% of Turkey's total export earnings. Total exports of agricultural and agro-industrial products exceeded US $ 10.7 billion in 2009.

Turkey has a vast agricultural resource base with significant potential to expand output, particularly through increased crop yields. In the past, the government has intervened in the agricultural sector through price supports, input subsidies, import protection, export subsidies and tax reductions. Increasing food self-sufficiency and rural development, stabilizing farmers' incomes, providing adequate nutrition and affordable food, and promoting exports have been adopted among government objectives.

Since implementing its first structural adjustment program in 1980, Turkey has developed an ongoing series of agricultural policy reforms designed to privatize markets, reduce agricultural subsidies, remove trade barriers and integrate Turkey into the global economy.

Turkey's structural adjustment program improved agricultural export competitiveness and increased output and trade; from 1980 to 2000 overall volume of agricultural production rose by an average of 3% per year. Output and yields of the major agricultural products increased steadily. During this period the area under cultivation also rose by 1.5

million hectares and reached a total of 18 million hectares. While overall yields have risen, there were regional differences in fertility. Field crop yields are usually two to three times higher in the milder coastal areas (Aegean and Mediterranean regions) than in the colder and generally drier areas of central and eastern Turkey.

Turkey's closeness to the Europe, the Middle East and the North Africa; gives her the opportunity to easily access large markets through the Black Sea to the north, the Aegean Sea to the west and the Mediterranean Sea to the south. Likewise, Turkey's internal market has also experienced rapid growth in demand for more food of higher quality, due to the high rates of population growth and rising income. Thus, agriculture in Turkey holds the promise of making a major contribution to Turkey's economic development.

The principal objectives of the Turkish agricultural policy are set out in successive five-year development plans. These are to establish an organized, highly competitive and sustainable agricultural sector; to provide adequate and stable incomes for those working in agriculture; to meet the nutritional needs of a growing population considering food safety as the most important issue; to stabilize agricultural prices to enhance productivity by ensuring the utilization of high quality seed and seedlings, training farmers, strengthening producers' organizations, supporting R&D activities, increasing competitiveness of agricultural holdings and improving the marketing framework; to develop rural areas; to prevent large stocks and keep and stabilize producer income level; to promote the application of modern agricultural techniques and to develop the export potential of agriculture. As a result of the latter, agricultural exports have expanded rapidly over the past decade.

Regional Agricultural Output Pattern of Turkey

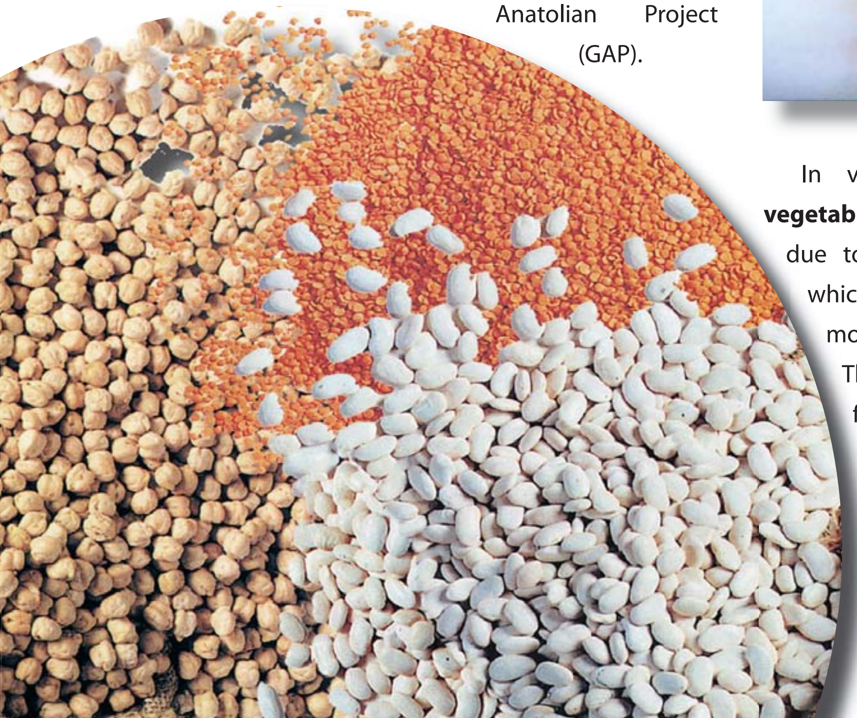
Regions	Principal Products
Central-North	Cereals, rice, vegetables, pulses, fruits
Aegean	Olives, grapes, cotton, tobacco, pulses, vegetables, tubers
Marmara	Sunflower, rice, roots, sugar beets
Mediterranean	Cotton, cereals, citrus, rice, vegetables, pulses
North-East	Fodder, wheat, tubers, pulses, livestock
South-East	Fodder, cereals, tubers, vegetables, pulses, grapes, livestock, pistachio, fruits
Black Sea	Hazelnuts, tea, rice, tobacco
Central-East	Fodder, cereals, fruits, tobacco, sugar beets
Central-South	Cereals, sugar beets, grapes, pulses, vegetables, tubers, livestock

The agricultural policies are determined within the framework of the World Trade Organization Agreements and other international obligations and commitments. Since its initial reform efforts, Turkey has made significant strides in opening up its borders to imports and reducing controls on exports. Turkey has made moves to harmonize its trade policies with those of the European Union and has entered into new regional trading arrangements.

As of 1 January 1996, the date of the entry into force of the Customs Union with the EU, Turkey has eliminated all custom duties and charges having equivalent effect on imports of industrial products from the EU. The Customs Union initially covers only processed agricultural products containing cereals, sugar and milk along with industrial products. Free circulation of traditional agricultural products between Turkey and the EU will become possible to the extent that Turkey approximates its agricultural policy to the Common Agricultural Policy of the EU.

Resources and the Environment

There are economic disparities between rural and urban areas. However, the government is strengthening infrastructure, communications, and the agriculture resource base and expanding employment opportunities by upgrading local enterprises and attracting new industries. The focus of the policy is the development of the Southeastern Anatolian Project (GAP).



Irrigation is a means of reducing weather-induced production variations. Therefore, Turkey is giving high priority to improving land and water resources and expanding irrigation. It has designated about two-thirds of total public agricultural investment for land and water improvement.

Environmental degradation and resource conservation are of increasing concern to the Turkish agricultural sector. Intensifying production, especially by using chemical fertilizers, pesticides and irrigation, puts further emphasis on the environment.

Vegetal Products

Vegetal production is the leading sub-sector of Turkish agriculture and it is mainly made up of fresh fruits and vegetables, cereals, pulses, industrial plants, and fodder crops.

In vegetal production, **fresh fruits and vegetables** constitute the backbone of the sector due to Turkey's diverse ecological conditions which allow the cultivation of all temperate, most subtropical and some tropical products. The remarkable thing with the Turkish fresh fruits and vegetables industry is not only the great diversity in the number of fruits and vegetables grown, but also the astonishing quantity of the total produce,

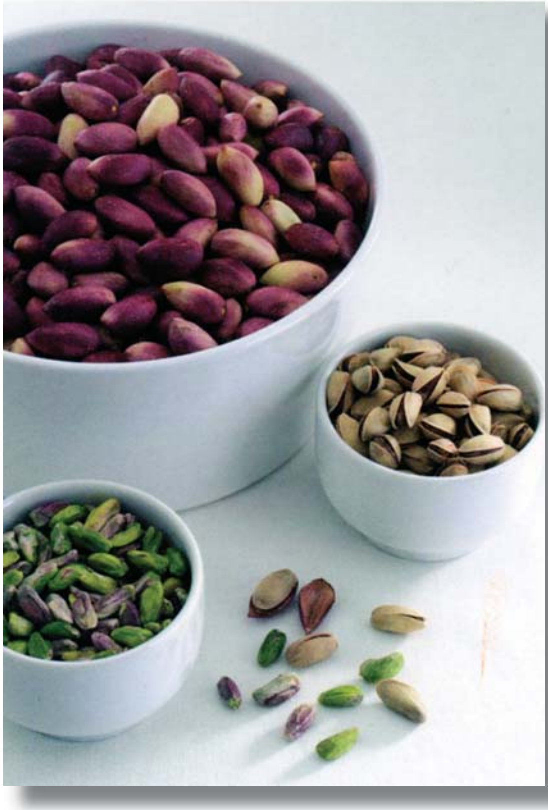
approximately 12 million tons of fruits and 24 million tons of vegetables. The fresh fruits grown in Turkey consist mainly of grape-like fruits, pome fruits, stone fruits and citrus fruits according to the order of priority. Grape-like fruits led the list with a share of 29%. Fruit bearing vegetables constitute 45% of the total vegetable production. Among these vegetables, tomatoes take first place with an output of 9.6 million tons and potatoes, watermelons, melons, onions and cucumbers follow this juicy vegetable.

Turkey has a major role among the world's important **pulse** producing countries. Over 50 countries imported Turkish pulses in 2009. **Cereals** are also of great importance in Turkish agriculture. Wheat, barley, rye, oats, rice, spelt, maize, canary grass and millet are the main species of cereals produced in Turkey. Wheat is the major grain produced in Turkey. Although its output stagnated in the early 1980s, it has recently expanded because of increased fertilizer and irrigation use.

Turkey is the main producer of **oriental type tobacco** in the world. Among the main industrial crops produced in Turkey, tobacco is a traditional agricultural export item of the country.

Edible Nuts and Dried Fruits

Turkish edible nuts and dried fruits production is quite high and dominates the world markets in this respect. Among edible nuts and dried fruits, hazelnuts, pistachios, raisins, dried apricots and dried figs are of significant importance for Turkish agricultural exports. Due to their importance, they are classified as traditional agricultural export items of Turkey.



Historical documents reveal that **hazelnuts** have been grown along the Black Sea Coast in northern Turkey since 300 BC; with its prominent position among hazelnut producing countries, Turkey leads the field.

Fig cultivation is believed to belong to the Mediterranean basin, especially to Anatolia. Accordingly, the local fig species (Ficus carica) derived its botanical name from the historical district, Caria, in the western part of Turkey. Producing 50-55% of the world's total dried fig production, Turkey also has a share of 55% in total world exports of dried figs.

There are 1200 different types of grapes in Turkey and among these varieties, seedless "Yuvarlak and Sultani" are the main varieties used for **raisins**. Their production is quite high and together with raisins, **dried apricots** also dominate the world markets.

Livestock

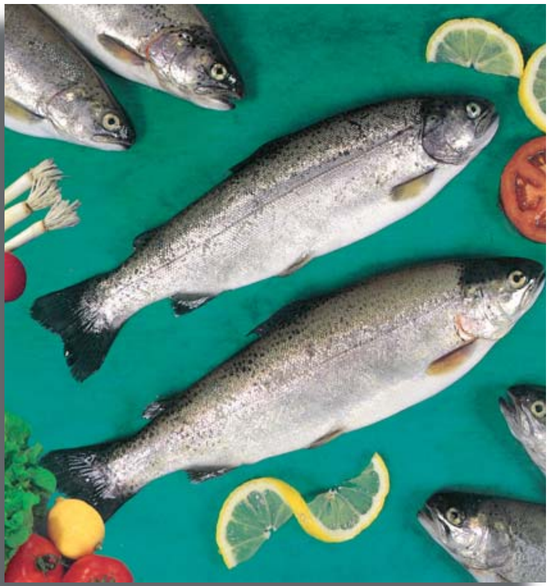
Turkey has traditionally been an important supplier of live sheep as well as lamb and mutton to the Middle East. Increasing domestic demand from a rapidly growing population, combined with production problems have led to a significant decline in exports. However, the Turkish Government intends to develop Turkey's livestock through improving animal stocks, establishing breeding enterprises, increasing fodder crop production, raising the income levels of livestock producers, and applying a contract-farming model.

Sheep, the common goat, the Angora goat (whose homeland is the capital city of Turkey, Ankara) and cattle constitute the majority of the existing livestock in Turkey. Climate and geography also have an important bearing on the location and type of animal husbandry carried out in the country. Intensive animal husbandry is carried out in the Western Anatolia and Thrace Regions. Over the past decade, the government has initiated measures to raise the productivity of its livestock sector. Some of these measures taken are genetic improvement of meat and dairy herds through dairy cattle and bull semen imports and improvement of veterinary services. Special emphasis has been placed on developing animal husbandry in the eastern and southern Anatolia regions and expanding fodder crop production.

Fishery

Turkey has been known as a country of fishery products since ancient times. Surrounded by seas on three sides, the species of fish and fishery products in the seas differ from one other because of the differences (temperature, salt content etc.) among these seas.

The inland water resources are also very rich in Turkey. This fishery potential will increase with the completion of the Atatürk Dam in the Southeastern Anatolian Region and will create more areas that can be used for fishery purposes. The species obtained from the inland fisheries are mainly common carp, grey mullet, mullet, pike perch, trout, eel etc. On a geographical basis, the greatest fish activity has traditionally been located along the eastern Black Sea Coast of Turkey.



In response to strong domestic consumer demand, the growing requirements of the tourism sector and a strong demand for certain species in export markets, production from the Aegean Sea has increased considerably.

Since the natural environment is very suitable for aquaculture, it seems that Turkey will achieve great developments in this area. The farms are located particularly in the Central Anatolian, Aegean and western Black Sea Regions and their numbers have increased in the past years, leading to a production surplus that resulted in a rise in exports of Turkish fishery products. The species of the products produced in these regions are trout, sea bream and sea bass. Fresh water fishing in Turkey evidently offers even greater potential for both fish and shellfish.

This substantial export oriented business has developed and Turkey has become a supplier to European countries, the USA, the Commonwealth of Independent States (CIS) and Middle Eastern countries in fishery products.

Agro-industry

The Rapid growth that occurred throughout the 1980s led to rapid development in the agro-industry and a resurgence of both domestic and foreign investment in Turkey. Reform realized in the foreign exchange system left exporters largely

free of restrictions in international transactions. Trade policies, which included tax rebates, export credits and credit subsidies, also enhanced export performance of the sector.

The Turkish agro-industry brings together the producers of varying status and size. They range from small individual units, large and small cooperatives, to multi-national organizations. Also important are the small to modest-sized specialists and craft businesses which offer limited but high quality products, often using traditional methods and recipes.

Turkey has an age-old tradition of preserving food, which for a long period was based on salting and drying methods. The availability of almost all kinds of fruits and vegetables and the favourable environmental conditions which allowed them to be grown in ample quantity and the highest quality, have formed a strong base for the improvement of the Turkish fruit and vegetable preservation industries. Nowadays, the plants located in the different food-producing areas employ advanced preservation techniques and use the most sophisticated, attractive types of packaging.

Although it is quite a new sector in Turkey, the **frozen fruits and vegetables industry** has undergone various remarkable changes and is one of the important export-oriented (75-80% of the amount produced is exported) food sectors. The growth registered in the sector can be totally attributed to the increasing foreign demand since the domestic consumption has not yet reached a sizeable quantity. The **dehydrated vegetable industry** is a minor branch of the Turkish agro-industry but remarkable development is expected in the near future due to both the availability of raw materials and the new investments in the industry. The Turkish **fruit juice and concentrates** industry began production in the late 1960's and this brand-new export-oriented industry has flourished rapidly due to modern production units, new investments and the strong support of abundant fresh fruit production. The **Tomato processing industry** is the pioneering sector in food processing industry. Generally the largest share in the exports of processed vegetables and fruits belongs to **tomato paste** and today all importers worldwide know its quality. Although the dominant traditional processing line is tomato paste processing, **peeled and diced tomatoes** are the other promising products for Turkey as well.

Despite its fragmented structure, Turkey is the largest producer of **dairy products** in the region. Its rich varieties of cheese have made Turkey one of the preferred suppliers of this product. In addition to traditional cheeses, which are mainly *otlu* cheese, *tulum* cheeses, Urfa Cheese, white cheese, salinized Diyarbakır Örgü Cheese and etc., other types of products that are demanded internationally, are also produced. Among these products Mozzarella, Kashkaval and white cheese have special importance in Turkish foreign trade.

Being one of the major countries in the world as far as the number of animals is concerned; Turkey also has a highly developed **meat and poultry products** sector. Domestic consumption of poultry meat in Turkey has grown very quickly, displacing the traditional meats such as lamb, mutton and goat. Poultry products also dominate the exports of this sector.

Because of her vast agricultural potential, oilseeds have always been one of the important sectors of Turkish agriculture. Several **vegetable oils,** mainly sunflower oil, corn oil, cottonseed oil, soybean oil and hazelnut oil are produced in Turkey. Having the longest coastline on the Mediterranean Sea, Turkey has been one of the major producers of **olives** among Mediterranean countries. Therefore, **olive oil** traditions and olive oil dishes have been the pride of Turkish culture since the time of the Ottomans. Today, Turkey is supplying the olive oil of Mediterranean cuisine all over the world. Besides vegetable oils, the production and export of **margarine** has also an important place in the sector.

The **sugar and chocolate confectionery** sector in Turkey is historically based on the production of traditional Turkish confectionery products such as Turkish delight and halva. The sector has become one of the most important sub-sectors of the food industry using modern technology together with the traditional production methods. The Turkish sugar

Trends in Agricultural Production (1000 Tons)

	2004	2005	2006	2007	2008
CEREALS	33,996	35,287	34,643	35,807	36,720
Wheat	21,000	21,500	16,510	17,234	17,782
Barley	9,000	9,500	8,600	7,307	5,923
PULSES	1,507	1,428	1,398	1,306	814
Chickpeas	650	610	552	505	518
Lentils	560	555	622	535	131
INDUSTRIAL CROPS	14,668	14,668	21,073	18,074	20,338
Tobacco	157	148	98	75	93
Sugar beets	1,357	14,299	14,452	12,414	15,488
Cotton lint	920	945	976	868	673
Sunflowers	900	950	1,087	854	992
FRESH FRUITS AND VEGETABLES	41,073	44,691	42,639	42,436	40,624
Table grapes	3,500	3,050	4,000	2,742	1,971
Apples	2,100	2,550	2,002	2,458	2,504
Citrus fruits	2,707	2,588	3,037	2,989	2,957
Potatoes	4,800	4,200	4,397	4,246	4,225
Tomatoes	9,440	9,662	9,855	9,945	10,985
TREENUTS	592	835	998	882	1,200
Hazelnuts	358	530	661	530	801
TEA (fresh)	1,105	1,192	1,121	1,145	1,100
NO OF HENS (1000)	296,876	317,497	344,820	269,368	244,280
HENS' EGGS (million)	110,55	12,052	11,734	12,725	13,191
SHEEP	25,201	25,304	25,617	25,462	23,975
CATTLE	10,069	10,526	10,871	11,037	10,946
MILK	9,750	9,885	10,904	12,330	12,243
MEAT	319	325	341	576	482

Source: State Institute of Statistics and chocolate confectionery sector has the most advanced technology in the Middle East, Balkans, North Africa, Baltics and Central Asia. The products are more widely diversified and of a higher quality. Major items produced in the industry include various types of candies, chewing gum, Turkish delight, halva, chocolate-coated products and various types of chocolates.

Wheat flour, bread, macaroni, biscuits, pastries, semolina and cracked wheat characterize the **pastry and milling industry** sector in Turkey. Wheat flour, macaroni and biscuits are those that accelerated Turkish food industry exports especially with the increases achieved since 1990.

Nowadays consumers are becoming increasingly interested in environmentally sound products, because of continuously expanding awareness of their benefits. Thus, the desire for a healthy life has oriented consumers towards **healthy food and organic agricultural products**. Turkey is one of the best-suited countries in the world for organic cultivation. This is not only due to her ecological and climatic conditions but also due to the use of more traditional agricultural methods. Although organic farming and in-conversion land constitute a small portion of total agricultural land, organic agriculture, which was mainly concentrated in the Aegean region in 1985, has expanded in all regions. The number of farmers dealing with organic agriculture and the variety of organic products in Turkey is also increasing year by year. Although the pioneering products in this sector were raisins, dried apricots, dried figs and hazelnuts, today around 150 kinds of agricultural products are organically produced in Turkey.

With the huge increase in the production of organic cotton, organic textiles have become a promising sector in organic agricultural production. In particular, baby clothes, and underwear where no chemical dyes and bleaches are used during production, have gained importance in this area in recent years.

Organic livestock production is yet a minor sector in organic agriculture, but it is expected that production will increase in the following years as a result of growth in domestic demand.

Exports Trends in Selected Food and Agricultural Products (USD million)

Product Name	2005	2006	2007	2008	2009
Pulses	159	248	189	239	270
Citrus Fruits	384	374	515	576	788
Tomatoes, fresh	144	174	297	389	407
Raisins	240	289	316	350	408
Hazelnuts and Hazelnut Products	1,920	1,456	1,364	1,428	1,184
Apricots, dried	180	105	236	313	379
Wheat	52	101	9	6	61
Other cereals	39	100	67	33	143
Wheat flour	421	273	424	618	581
Tobacco	468	503	449	428	491
Pasta	228	60	108	182	149
Biscuits	142	154	203	255	239
Olive oil	305	179	135	71	96
Frozen fruits & vegetables	74	94	111	110	91
Sugar conf., chocolate and products	368	435	566	643	585
Dehydrated vegetables	44	54	66	72	63
Fruit juices & concentrates	92	104	160	131	105
Tomato paste	126	93	91	151	182
Fishery products	237	260	264	414	342
Organic products	26	28	29	26	n/a
Total of the first 24 (HS) Chapters	**7,828**	**8,048**	**9,142**	**10,840**	**10,701**

Source: Undersecretariat for Foreign Trade

SOUTHEASTERN ANATOLIA PROJECT (GAP)

The Southeastern Anatolia Project or GAP -its Turkish acronym- is the largest and the most comprehensive regional development project ever carried out in Turkey.

GAP is Turkey's giant step toward peace, co-operation and prosperity. The goal of this huge undertaking is to remove the socio-economic "gap" between the country's more developed regions and the project area, whose economy is dominated by agriculture. Although the region, which corresponds to 10% of Turkey in terms of land as well as population, has rich soil and water resources, agriculture there depends primarily on rainfall conditions.

To improve the economy of the region, the mobilisation of its water and soil resources has been planned on the basis of "multi-sectoral integrated regional development". The USD 32 billion project comprises not only the development of water resources, but also investments in agriculture, energy, transportation, telecommunications, health care, education, and urban and rural infrastructure. Development of the region utilising modern technologies takes into account "sustainability" requirements in engineering; environmental, social, institutional, legislative considerations are also incorporated.

The project -one of the largest of its kind in the world- includes the irrigation of 1.82 million hectares of land and the generation of 27 billion kilowatt-hours of hydroelectric power with an installed capacity of 7 500 Mws. The plans call for the construction of 22 dams, including the Atatürk Dam, with the sixth largest volume in the world; 19 hydropower plants; the Şanlıurfa irrigation tunnel system, the largest of its kind; extensive irrigation networks and canal systems. Some of these projects, like the Atatürk Dam and power plant, and the 26.5 km.-long parallel Şanlıurfa tunnels, have been completed. The total amount of investment within the framework of GAP has reached approximately to USD 23.2 billion which corresponds to 72.6% of the total cost of the project.

GAP will double Turkey's hydroelectric production, increase irrigated areas by 50%, more than double per capita income in the region, more than quadruple GNP, and create 3.8 million new jobs in the coming decade.

Water from the Atatürk Dam reservoir is diverted to the plains of upper Mesopotamia through the Şanlıurfa tunnel system, which consists of two parallel tunnels, each 26.5 kilometres long and with a diameter of 7.62 metres. Water started to flow from the tunnel in 1995 and irrigation on a large scale has begun. A trans-regional motorway connecting Mersin Harbour to the Iraqi and Syrian borders is under construction. An international airport with the largest cargo handling capacity in Turkey went into operation in 2007. Nine universities had been established in the region by end of 2007. The USD 1.5 billion Birecik Dam and power plant was completed under the build-operate-transfer model

by a European consortium. The 189 MW Karkamış Dam construction, downstream from the Birecik Dam on the Euphrates, was completed with Austrian finance.

The Atatürk Dam and its hydropower plant, with an installed capacity of 2400 Mws, and the Şanlıurfa tunnels with a capacity of 328 cubic meters per second, are physical symbols of Turkey's commitment to development.

BUSINESS ENVIRONMENT

Capital Accumulation

A substantial amount of money has been paid directly to the people for land expropriations. Furthermore, land values have appreciated as the direct result of better infrastructure and increased economic activity, and the irrigation made it possible to cultivate cash crops, increasing income generated by agricultural production considerably.

The effects of this capital accumulation is quite visible in the Region; the consumption of luxury goods such as cars has increased, there is a boom in construction of private housing with highly inflated prices, the number of banks and accounts has increased considerably and, most important of all, more people are looking for suitable areas of investment. All lots in the existing organized industrial zones have already been sold and new zones are in the process of being constructed.

Infrastructure

Besides major investments in dams, power plants and irrigation systems, the following are the other important aspects of the Region's infrastructure:

1. A major 6-lane highway is being built through the Region connecting Turkey to Syria and Iraq. The Şanlıurfa Mersin section has already been completed. This highway connects Şanlıurfa to Mersin Harbor via Gaziantep, one of the largest harbors in Turkey. Accordingly, goods shipped from Şanlıurfa will be ready for international shipment in 3 hours at most.

2. An international airport with the largest cargo handling capacity in the country went into operation in 2007. There are 2 conventional (Gaziantep and Diyarbakır) and 5 STOL (Short Take Off and Landing) airports throughout the Region.

3. One of Turkey's largest harbours, Mersin, is about 2 to 3 hours driving distance from the Region.

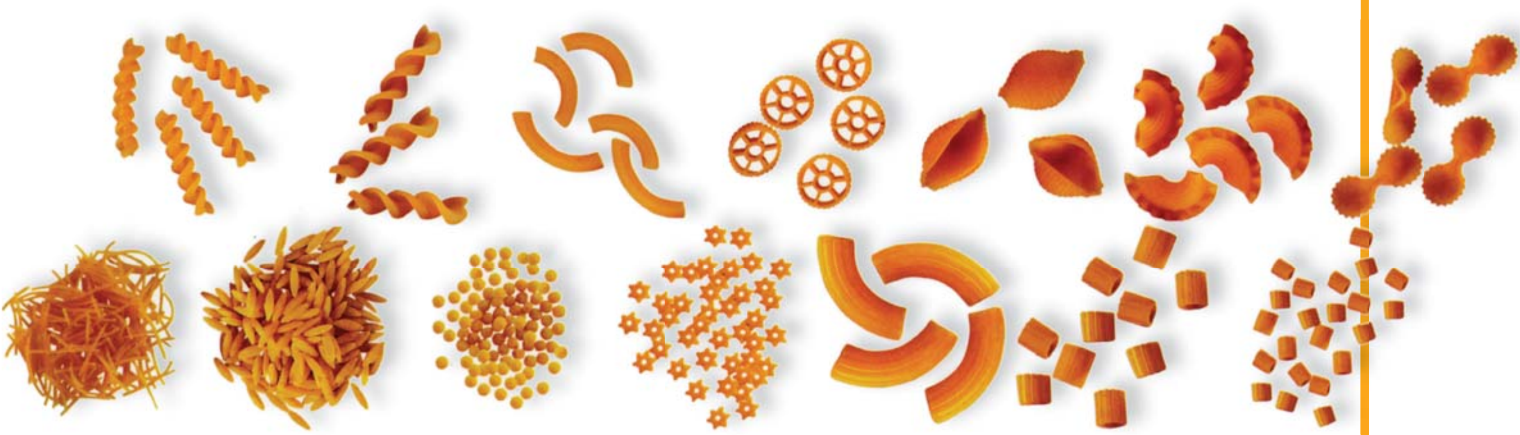
4. Two free trade zones and twelve organized industrial zones (OIZ) are in service, of them ten are under construction. 25 small industrial zones (SIZ) are in service, and twelve are under construction.

5. When the irrigation systems are completed, 1.82 million ha. of land will have been irrigated. This corresponds to 20% of all irrigable land in Turkey.

Human Resources

The GAP Region's population is larger than that of six EU members, Malta, Estonia, Slovenia, Latvia, Lithuania and Slovakia. The population of the region is not only large, but also dynamic. 54% of the population is economically active (ages 15 to 65), with 72.6% of the population younger than 30. The labour market is dynamic and growing. The GAP region offers a sustainable labour force. According to the projections of the International Labour Organization (ILO), the economically active population in most of the new EU members or candidates will either decline or increase at annual rates of less than 0.4% per annum.

Medium and low levels of skills are widely available in the Region and are relatively less



expensive. According to the 2004 figures of the ILO, the cost of labour is about € 934 in Slovenia, € 558 in Czech Republic, € 547 in Poland, € 530 in Hungary, € 419 in Slovakia and € 272 in GAP Region. With its high skilled labour and facilities, Gaziantep is considered the technical centre of the Region that provides services to the industrial units of the Region and other neighbouring provinces.

The people traditionally have strong cultural and trade links with other countries of the region.

Proximity to Middle East Market

The GAP region provides easy, profitable access to Middle East markets which have a population of 320 million and USD 200 billion in imports. Most of the provinces in the GAP Region are either 1 or 2 days away from the major trade centers in the Middle East. The needs of the countries of the Middle East and the offerings of the GAP Region are complementary.

Some Investment Costs

Energy Costs: Energy costs in GAP Region is much less when we compare them to other countries, according to the International Energy Agency's "World Energy Statistics" report (2004). This report states that in Turkey the retail price of electricity for industry was USD 0.0917 in 2004. It is cheaper than the costs in Italy, Japan, Ireland, Austria, Denmark and Portugal. In February 2004, the Turkish Government introduced Law No. 5084 with a view to encouraging investors to make investments in the less developed regions of Turkey. The Law introduced income tax exemptions, social security premium support, energy support (it allows for 20% and 50% savings on cost) and allocation of a place of investment free-of-charge. Law No. 5084 puts the GAP Region in a quite competitive position in terms of energy costs. The GAP region's energy costs are cheaper than France, Korea, New Zealand, Mexico, Poland, the Czech Republic, Greece, Finland, Hungary, etc.

Price of Land in Organized Industrial Estates and Free Zones: The price of land in Organized Industrial Estate is cheaper than Denizli, İstanbul and Bursa figures. The price per square meter is about USD 5.17 in Diyarbakır, USD 100 in Bursa, USD 9.66 in İstanbul (Tuzla) and USD 27 in Denizli. The price of 1000-5000 square meters of land in a free zone is about USD 2 and USD 3.5 in the Mardin and Gaziantep Free Zones respectively, while USD 7 in İstanbul and USD 3 in İzmir.

Incentives

Turkish Government encourages foreign investment through simplification of the business environment and the creation of a suitable investment environment for foreign investors. Incentives offered in Turkey can be categorized under two groups: General and regional incentives. Government subsidies for investment, SME support, government subsidies for export, TUBİTAK support, supports provided at the technology development area, tax incentives for free zones, some income and cooperation tax exemptions can be mentioned under the general incentives. Laws No. 5084 and 5350 are to encourage investors to make investment in the less developed regions such as the GAP region. The GAP region has additional advantages compared to the general incentives. These offer large savings for investors. For example, a medium scale apparel manufacturer with 100 employees and 75 machines will obtain €100,000 of benefit in terms of cost savings in energy costs, income withholding tax and social security premiums. This type of saving would be 15% in frozen food manufacturing and 12% in pasta manufacturing.

Investment Promotion and Business Development Services

The Southeastern Anatolia Project Regional Development Administration (GAP RDA) was established under the auspices of the Prime Ministry in 1989. It has planning, coordinating, private sector development, monitoring and evaluation duties according to the regional development plan. It

has the technical capacity to give consultancy and supporting services to investors. It has a department for this purpose and has been implementing the Entrepreneur Support Centers (GAP-GIDEM) project in collaboration with the EC and UNDP. The purpose of this project is to assist business start-ups and improve the entrepreneurial, operational and managerial capacities of existing entrepreneurs, small, medium and micro scale enterprises through up-graded GIDEM services. GAP GIDEM prepares ten pre-feasibility studies for most suitable investment areas. These are meat processing plants, salami-sausage-other meat products, milk establishments, fruit juice establishments, tomato paste production, wearing apparel - skirts and trousers, wearing apparel - shirts, leather establishments, knit textile establishments and pistachio processing and packaging.

GAP RDA is also supporting investment promotion activities of municipalities that have prepared feasibility studies such as the Siirt Geothermal energy production, etc.

Sectoral Opportunities

The full benefits of GAP can only be gained if complementary private sector investments are realized. This will affect the economic life of the region by rapidly increasing income generation, reducing unemployment and spreading wealth to the masses. The development of entrepreneurship and increased investments will also have a favourable impact on social and cultural life, which are closely linked to economic development.

The flow of investments from other regions and abroad will speed up this process of development through the transfer of capital and technology, and in some cases entrepreneurship.

According to a recent survey conducted in the four major provinces of region, Adıyaman, Diyarbakir, Mardin and Şanlıurfa, about 2/3 of all manufacturing plants were established after 1992. This study has also shown that except for some petroleum companies, there was no investments with foreign participation worth mentioning prior to GAP. Since GAP, there has been great interest in the region and this interest is slowly materializing in tangible business cooperation.

Among the nine provinces of the region, Gaziantep has a high level of industrial development, even higher than the national average. More than half of the manufacturing units of the region are located in Gaziantep. With its highly skilled labour, especially in the metalworking and machinery industries, Gaziantep is likely to become the "technical service centre" of the region, serving the other neighbouring provinces.

Based on the field studies that have been carried out in the region, the following areas are recommended for investors:

a) Agro-based Production: Food and Beverages

1. Frozen, dried and packed fresh fruits and vegetables
2. Contract farming, especially for organic fruits and vegetables
3. Herbs and spices
4. Wine production
5. Semolina and macaroni

6. Confectionery
7. Tomato paste and other canned vegetables
8. Vegetable oils

Despite being a traditionally agricultural area, the land had not been fully utilized due to insufficient irrigation. As the irrigation systems have been built, more cash crops have begun to be cultivated.

The climatic conditions and the quality of the soil also create a favourable environment for growing fruits and vegetables. It is expected that ancient vineyards and wineries will be revitalised soon.

Due to the sub-freezing temperatures which occur occasionally in the GAP Region, the Adana and Antalya regions are comparatively more advantageous as far as green houses are concerned. Instead of green houses, high plastic covered tunnels are recommended for early production of vegetables.

b) Animal Husbandry

1. Livestock, poultry, turkeys and ostriches
2. Dairy products
3. Meat processing and packing
4. Fresh water-fishing, fish farming and processing

c) Textiles and Clothing

1. Weaving
2. Ready-to-wear
3. Local arts and crafts
4. Footwear

The people of the region have traditionally been farmers and ranchers. Recent studies have shown that some parts of the region are also suitable for turkey and ostrich growing. The related dairy and meat processing industries are expected to develop correspondingly.

The building of dams has created fresh water lakes, with a surface area of 1135 sq km and another 224 sq km is under construction. As a direct result of irrigation, cotton production has increased to more than 50% of the total yield of Turkey. This has already caused major investments in ginning and yarn making. From this point on, we expect more development in ready-to-wear garment production and weaving.

The region's rich cultural features are reflected in the local arts and crafts, especially in woven wool textiles, such as special fabrics, blankets, rugs and carpets.

d) Construction Materials

1. Steel rods, profiles (drawing)
2. Wire and nails
3. Paint
4. Housing panels
5. Door/window frames
6. Concrete based irrigation canals
7. Marble

To support the rapidly developing housing and industrial construction, as well as large state investments in irrigation and urban sanitation systems, a new market for construction materials has been opened-up. Considering the high transportation costs for such materials, establishing local manufacturing units is more advantageous.

e) Energy

1. Power plants
2. Transmission

New government planning policy permits the building and operation of power plants by private enterprises. In parallel with industrial development, energy needs are expected to increase rapidly. In addition to hydroelectric power plants, small co-generation systems are viable for local needs.

The existing transmission lines will be renewed and new ones will be built for the same reasons.

Studies show that the region is also suitable for plastic products and household goods as well as agro-based products.

GAP RDA has launched a new project – Utilization of Renewable Energy Resources and Increasing Energy Efficiency in Southeast Anatolia Region. This project is expected to exploit the renewable energy capacity of region, which is considerable.

f) Chemicals and Plastics

1. Plastic irrigation pipes, tools and irrigation systems
2. Plastics injection moulding
3. Detergents

g) Durables

1. House and office furniture

h) Services

1. Tourism
2. Health care: Medical diagnosis and treatment centres
3. Giftware

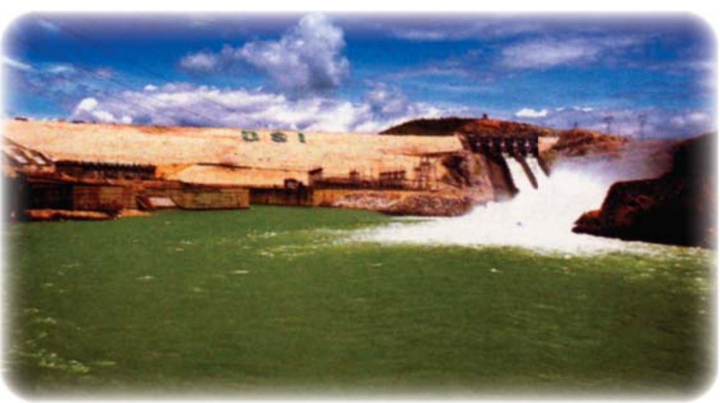
Tourism has, probably, the greatest potential for investment after agro-industries.

i) Industrial Machinery

The need for industrial machinery production will grow according to the development level of industry, especially agro-based industry.

Conclusion

The GAP Region, home to some of the oldest civilisations in the world, contains many opportunities for entrepreneurship due to its heterogeneous cultural and social composition. In addition, the rich natural resources further improve the business and investment potential of the region. However, this huge potential has only been partly exploited as of yet. For instance, in 2005 exports from the region totalled USD 2 billion, which represented only 2.7% of total exports from Turkey. Exports from the region in 2009 totalled USD 4.4 representing 4.34% of Turkey's exports. GAP, as a socio-economical sustainable development project, aims at reducing the developmental disparities between the GAP Region and other more developed regions of Turkey, by increasing the investment and employment opportunities as well as productivity in the region.



In addition to the Turkish Republic, international organizations such as the European Commission, the United Nations (specifically the United Nations Development Program) and the World Bank are pursuing several projects in close coordination and cooperation with GAP RDA to improve the socio-economic conditions in Turkey. The EC-GAP Regional Development Program is one of these developmental projects. The Program is composed of three components which are SME Development, Rural Development and Development of Cultural Heritage. The purpose of the SME Development Component, which is known as the GAP-GIDEM project, is to improve the operational, managerial & entrepreneurial capacities of micro, small and medium sized enterprises of the region. For this purpose entrepreneur support centres (GIDEMs) have been established in four provinces –Adıyaman, Diyarbakır, Mardin and Şanlıurfa- to provide information, consultancy and training services within the scope of business support services to SMEs. GIDEMs are no longer in service. However, the services previously provided by GIDEMs are now being provided by GAP RDA, chambers of commerce and industry, and regional development agencies jointly.

Three regional development agencies have been established in the region.

On the other hand, the Turkish Government is planning to dedicate more funds to the region within the context of new regional development policies aligned to the EC system. These funds will pave the way for new business opportunities in the region.

The GAP Region's rich, extensive agricultural areas and cultural resources accompanied by improved social and economic stability, today, invites more entrepreneurs to do business with the region than ever before.