



“NOW is the Time to Expand Trade with Turkey”

140 Industry Chiefs meet to discuss the Role of Istanbul in Bringing Asia to the Gate of Europe

23-24 May, Istanbul



Meeting held with the kind permission of HM Consul General Istanbul Leigh Turner in PERA HOUSE, British Consulate General, Taksim – Istanbul

With domestic North European markets under pressure, F&L's 37th conference was held in Istanbul (co-hosted by UTIKAD) and attracted a substantial number of top level executives in Turkey and Northern Europe.

Strategically located for trade, Istanbul stands between traditional and emerging markets and acts as a bridge between Europe and Asia/the Middle East – an essential function in European and global supply chains which will **increase in importance** as populations and global trade grow. Around 60% of all air freight arriving in Istanbul is goods-in-transit.

“This was a **valuable opportunity for participants on both sides of the Bosphorus to connect and accelerate their business ideas**” said **Frank Arendt**, F&L President and Associate Director Logistics Purchases at Procter and Gamble Europe.

Shippers in multiple industries, logistics service providers, legislators and service companies were all present at the non-profit conference which aimed to maximize discussion. **“Now is the time to expand trade with Turkey”**

said Mr Arendt. **“Predictions show a dramatic change in the world economy with developing nations growing five times faster than developed countries. Turkey [and Istanbul] has accelerated its growth in the last ten years; exports and GDP are both set to grow more than 200% in the next ten years”.**

An impressive line-up of top speakers from both Turkey and Northern Europe ([agenda](#)) covered Turkey's geo-political environment, its role as energy hub, the impact of finance and economics and developments in road, rail, air, sea and intermodal. In addition, some major Turkish industries (including garments, electronics, chemicals and food) explained their priorities and this revealed **common concerns in terms of transit time, reliability and innovation in the supply chain.**

An innovative diagram showing Istanbul with radii of 1K, 2K, 3K and 4,000km drawn around it underpinned all discussions at the meeting. **“Turkey and Istanbul in particular is a critically important global hub”** said F&L Secretary General **Gavin Roser**. He added **“we must understand the**

opportunities in context and also the constraints, bottlenecks and technologies/ innovations which are currently addressing these”.

Turkey has set a number of goals for 2023 / 100th anniversary of the establishment of the Republic under Prime Minister Recep Tayyip Erdoğan. These include a **foreign trade volume of \$1.12 trillion, annual exports of \$500 billion and a place in the world's top ten economies.**

Logistics is crucial to improve competitiveness and reach these goals.

Turkish infrastructure must develop. Bottlenecks created by a currently limited rail network and only 82km of road per 1000m² have led Turkey to plan **massive infrastructure investments in 10,000km of new railways. The country will also invest in more pipelines and more construction.**

Turkish **ports currently handle 7.2 million TEU per year and investments in port expansion will add additional capacity of 19 million TEU.** The shipping academy due to open in 2017 will supply 1,000 graduates per year ready to go to sea. This addresses a human resources issue felt across



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Europe.

Turkish transport is currently heavily **road-focused** but a draft bill presented to the Turkish Parliament in March this year seeks to **allow private sector operations and investment in railways** which have been state controlled for many years. Currently only 20% of Turkish rail is electrified and 33% signalized. **High speed trains** are planned to connect 15 cities and a high speed line between the Black Sea region and southeast Turkey, Syria and Iraq is also being discussed.

There is a need to **restructure the internal EU network with the sea ports / dry ports / freight villages / terminals as intermodal / co-modal / interoperable key nodes in order to allow decongestion and bottlenecks corrections**. It was noted that a more efficient internal EU network will open neighbouring countries (Russia, Turkey, etc.) for connection.

Turkey is one of the most active emerging markets. In time, it is likely that the purchasing power of these economies will dominate while the developed countries could convert themselves into modern industrial economies – **reversing the traffic flows East/West and perhaps North/South**.

Turkey's transport sector faces difficult cabotage rules as a non-EU member state which results in a significant trade imbalance and empty

containers. In addition, 66% of all export orders are organized by the consignee which do not usually favour the Turkish transport industry. It was suggested that producers increase their focus on the transportation aspects and take more control over the supply chain.

The transportation sector is a critical element of the growth in demand for oil worldwide. An animated discussion on Turkey's role as energy hub revealed that this is an area of concern.

Increased demand for world oil is exclusively from non OECD countries and BRIC countries accounted for 45% of this in 2012 but only 32% in 2004. There is a close link between GDP and oil demand growth.

Turkish energy requirements are increasing by 4% per annum (total) and 7-8% in electricity (the country needs to double its installed electricity generation capacity). Import-dependent for energy, Turkey sources approximately 75% of its needs from foreign resources – around \$60 billion. Oil is the principal import with smaller amounts of coal / natural gas.

Turkish demand is not expected to decrease and so **energy efficiency** is an issue as Northern Europe is currently three times more efficient.

Energy use will continue to rise with oil remaining the leading fuel

but strongest rises seen in gas use.

Other interesting discussions concluded that initiating new business in an emerging market was most likely to be successful with a business plan, professional code of conduct and strategic local partners.

It adds value to customers if logistics and transport suppliers **demonstrate their commitment to the customer** and if there is a **relationship with both parties pulling in the same direction. Efficiency and effectiveness of the supply chain benefits.**

Turkey is increasing its production capacity to attract foreign companies to outsource their production in Turkey – costs are high in the Euro-zone but it was noted that gross and net margins must be considered in this decision. As one of Turkey's major growth industries, garments are heavily produced in Turkey and benefit from fast turnaround, minimal stock levels and fast adaption to fashion trends.

Three break-out groups may result in further co-operation between North European and Turkish participants:

- "Best Practice – Intermodality"
- "Horizontal Collaboration and Shared Networks"
- TEN-FT – Financing to Eliminate Bottlenecks Across Europe"

F&L's next meeting will be 21-22 November – **please pencil the dates into your diary.** Members have an additional meeting in Brussels 1 October.

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