

Serkan Cengiz Avukatlık ve Danışmanlık Bürosu
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HISTORY OF SMYRNA(İzmir)

Ancient Smyrna was founded on an island that takes place at the northeast of the bay.



Although the first habitation of İzmir known to be dated from long before 3000 B.C., excavations could only go back to 3000 B.C. In the light of the excavations, it is known that the first settlements were founded at the top of the hill at 3-5m high from sea level. This first settlement was dated from Ancient Bronze Age.

A History of 5000 Years: İzmir

Apart from being a busy tourist center, today's İzmir is a strategic site for all kinds of cultural and economic activities with its developing industries, commercial potentials, low costs, universities, museums, concert halls, cultural and art associations. As such, it is home to many national and international festivals.



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As described by Victor Hugo: "İzmir... a princess with a beautiful necklace on her neck", along the waterfront, tourists and locals alike enjoy the gentle touch of Aegean breezes while watching thousands of colors blend together as the sun sets over İzmir's bay.



İzmir is a five thousand year old city, situated on the west of Anatolia peninsula, surrounded by the Aegean Sea and the cities of Balıkesir, Manisa and Aydın. Its approximate land area is 11.973 square kilometers.



The province of İzmir include 28 towns and 629 villages. The following towns are in the İzmir province: Aliağa, Balçova, Bayındır, Bergama, Beydağ, Bornova, Buca, Çeşme, Çiğli, Dikili, Foça, Gaziemir, Güzelbahçe, Karaburun, Karşıyaka, Kemalpaşa, Kınık, Kiraz, Konak, Menderes, Menemen, Narlıdere, Ödemiş, Seferihisar, Selçuk, Tire, Torbalı and Urla



(İzmir Bird Paradise)

Outlook On The Turkish Economy

A) ECONOMIC INDICATORS

TURKISH ECONOMY

The Turkish economy was re-modeled and became more outward looking with the structural adjustment program launched in the 1980s. The establishment of money and capital markets, the liberalization of exchange and interest rates and other prices have enhanced the effectiveness of monetary, fiscal and income policies. Liberalized import regime, new foreign investment and export promotion policies have enabled Turkey to take its place in the global economy. In this context, steady economic growth has been accompanied by a significant change in the composition of the GNP; the share of industry, and particularly services, has marked an important increase.

Since it started applying the principles of the market economy in the 1980s, Turkey's annual GNP growth rate has averaged 5% making the country one of the largest economies in its region

<i>MAIN ECONOMIC INDICATORS</i>			
	2000	2001	2002 (1)
Growth Rate (%)	6.3	-9.5	7.8
GNP (million \$)	200.002	145.693	179.898
GNP per capita	2.965	2.123	2.584
Sectoral breakdown of GNP			
Agriculture	15,4	12,8	13,0
Industry	20,0	21,1	21,5
Services	64,6	66,1	65,5
Unemployment rate	6.6	8.5	11.4

Source: Undersecretariat of Foreign Trade

Foreign Trade (million \$)	ANNUAL		
	2000	2001	2002
Exports	27.775	31.334	35.762
Imports	54.503	41.399	51.270
Foreign Trade Volume	82.278	72.733	87.032
Foreign Trade Balance	-26.728	-10.065	-15.508

Source: Undersecretariat of Foreign Trade

B) MAIN SECTORS

• Manufacturing

The manufacturing industry in Turkey has achieved an annual average growth rate of 6 % since 1990. The reason why it has been so successful is because of the country's abundance of raw materials, natural resources, the geographical proximity to strategic foreign markets, the size of its domestic market, the developing sectors such as telecommunications, transportation and last but not the least, the liberal economic policies.

The leading sectors of this industry are textile and clothing. Following textile and clothing; food, chemicals, iron and steel, furniture, motor vehicles and parts are also important sectors.

For the industry to be more competitive internationally, technology must be updated, quality must be improved, trademarks should be developed and both markets and products should be diversified.

• Energy

The additional generation capacity for the period of 1997-2020 will require huge investments. Public investments require the contribution of foreign capital because of financial programs. Private sector investments are also inevitable. Therefore BOT (Build-Operate-Transfer), BOO (Build-own-operate) and privatization would be suitable models to solve the energy problems of Turkey in the near future.

In 2002, the total primary energy consumption is estimated to increase to 83,5 million tons of OE and per capita consumption will reach 1,243 kg of OE. The production of primary energy is expected around 27,6 million tons of OE.

In 2002, total installed and production capacity of the power plants are going to reach 33,274 MW and 180,495 million kWh respectively. Studies of long-term electricity demand based on alternative economic growth scenarios indicate that demand will reach 190-200 billion kWh / region in the year 2005 with an installed capacity of about 40,000 MW.

It is anticipated that, in the year 2010, electricity demand will increase to 280-300 billion kWh while installed capacity will be about 60,000 MW. In other words, in order to secure the supply of energy, an additional capacity of 4,000- 40,000 MW should be installed until 2010. This necessitates the realization of a heavy investment profile of approximately USD 3.5 billion per annum.

Considering the additional cost of transmission and distribution investments, this figure goes up to USD 4.5 billion per annum until the year 2010. It is necessary to materialize these investments in a planned manner to meet electricity demand efficiently and continuously. The substantial cost of these investments makes it impossible to lay the burden entirely on the public sector of the country.

In order to respond the requirements of the current situation of energy market, Turkish Parliament accepted Electricity Market Law that aims at providing the formation of a competitive environment. Together with the liberalization of the market, private companies are expected to make more investments, thus providing to reach a financially strong, stable and transparent market.

• **Construction**

Turkish construction services are one of the major sectors, which contribute s to the exports of the Turkish services sector.

Turkish international contracting started its rapid growth with the first contract, which was signed in the 1970's in Libya. North Africa and the Middle East remained major markets for many years. Apart from the Middle East and North African market in which Turkish contractors have enjoyed a great share of civil engineering and electromechanical erection work, the former USSR and some European countries have opened their construction market to Turkish contractors. Finally, this initiative is oriented towards South and Southeast Asia with contracts won in Pakistan and Malaysia.

Now Turkey is among the top countries that export construction services. Today Turkish contractors are capable of competing with the world's leading contractor companies in the international construction market with their reliability, creativity and cost effectiveness. In the period of 1972-2000 the total value of work undertaken by Turkish contractors abroad reached 32 billion \$.

• **Tourism**

The primary objectives of Turkish tourism sector are; developing a highly competitive and productive tourism industry, meeting the expectations of local people and tourists from tourism, enriching natural and cultural beauties and providing their sustainability.

Despite a good deal of positive developments achieved during the Seventh Plan period, deficiencies regarding the important matters like infrastructure (sewerage, potable water, garbage collection and disposal, and waste treatment) and organizational problems continue to exist. Mediterranean-Aegean Tourism Infrastructure and Coastal Management Project (ATAK) is

slowly progressing relative to the planned due to limits in public contribution and bottlenecks in application of "user pays principle". In 2001, the number of tourists were 10,5 millions, tourism revenue was realized as USD 8.2 billion and the number of beds certified by the Ministry of Tourism and by the Municipalities reached 352,000 and 360,000 respectively.

In 2002, it is estimated that the number of tourists would rise to 11 millions while the tourism revenues would be around USD 8,2 billion. At the end of the Eighth Plan period, it is anticipated that the annual tourism revenues would reach USD 11,6 billion, the number of tourists visiting Turkey and the number of citizens going abroad would go up by 13,6 millions and 5 millions, respectively. It is expected that bed capacity of hotels certified by the Ministry of Tourism would reach 800,000 with the completion of facilities that are under construction or projected. By the end of the Plan period total bed capacity should arrive at 1,3 millions together with the facilities certified by the Municipalities.

In the Eighth Plan period, it shall be the major principle to benefit from the existing superstructure more efficiently and to protect environment and natural beauties. Activities to develop culture, winter, thermal and eco-tourism as well as yachting, golf, cruising and convention tourism shall be continued in order to improve the seasonal and geographical distribution of tourism and to create new potential areas by taking changing consumer preferences of foreign markets into consideration.

Emphasis shall be placed on necessary arrangements and technical measures to integrate tourism superstructure with a sufficient infrastructure, and relevant arrangements shall be made for the acceleration of ATAK Project. In addition, dynamic and strategic Tourism Sector Master Plan (TUSAP) prepared by Ministry of Tourism will be put into action to achieve a sound development of tourism sector in the long run.

C) BANKING AND FINANCE

The financial system consists of the banking sector and other areas such as insurance, leasing, factoring, and stock brokerage.

Most of the activities taking place in both the money and capital markets are carried out by the banks. Consequently, Turkey's economic and historical development dictates that the financial system and the banking sector are virtually synonymous. Turkish finance is principally founded upon a universal banking system. Banks operate in accordance with international rules and practices and offer a wide variety of services at their numerous branches.

Turkey's determination to develop its relations with the European Union means that the country's banking authorities have placed increasing emphasis on

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ensuring that their regulations are in harmony with those in the Union. Turkey has already accepted EU practices on capital adequacy.

Economic Outlook on İzmir



The city of İzmir lies on the West Coast of Anatolia and is encircled by rich plains of the Aegean Region. In history, İzmir is known as being the center of culture, trade and civilization.

İzmir is approximately 12 thousand kilometers with a population of 3.4 million, making it the third largest city and the second largest industrialized city in Turkey. It is reported that in 2001 per capita income reached 3.215 Dollars in İzmir, while the average of the country remained as 2.146 Dollars.

The Aegean Region is the most active and important area for the shipping sector and port operations.

The sea and shore area are authorized and controlled by the Undersecretariat of Marine.

There are four main trade ports in this region-the ports of Aliaga, Çeşme, Dikili and İzmir.

However, İzmir is the main port of the region. Almost 20% of the national exports are serviced the busy seaport of İzmir. The yearly loading capacity of 7 million tons will reach 11 million tons by the year 2005.

Agriculture plays an important role in the Aegean Region's economy. However, industry is the most advanced sector in the region, most of the investments

being in manufacturing. Consequently, industrial products have a great share in foreign trade. İzmir is the leading center for the economy of the Aegean Region.

In 2000, İzmir has a share of 9.0 % in the total manufacturing industry of Turkey. In other words, İzmir's share in Türk GDP is 7.6 %.

The multinational giants like General Motors, Philip Morris, RJ Reynolds, Citibank, FTC/Lockheed, Delphi(USA), Samsung(S.Korea) Karstadt and Hugo Boss(Germany), Akzo Nobel and AVEBE(Holland), ELDOR(Italy) ABB and Volvo(Sweden) Located their investments and businesses in İzmir.



In this decade, the considerable advantages of İzmir have encouraged foreign investors to a place in this re-emerging city.

The Aegean Free Zone operating in the district of Gaziemir is the most succesful free zone in Turkey with a trade volume of 1.8 billion dollars. It is located just 4 km. From the Port of Izmir. It is the only production oriented free zone in Turkey. The major industries in the free zone are electronics automotive, high technology products, food and packaging, textiles and machinery.

Among the top 500 Turkish industrial companies 75 of them are Aegean firms in 2001.

In particular, food products, construction materials, textile products, forest products and furniture, chemicals, agricultural products are trade of these products accelerate the commerce in Izmir.

Besides this, İzmir taking leaps forward in the industrialization process attracts investment in the sectors of tobacco, automotive, textile, electric-electronics and food . In the Aegean Region where over 6.000 industrial companies operate, 4000 are located in Izmir.

In the same way, 19 organised industry region, which are active and are still being invested upon. 18 are in the province of Izmir.

Our Chamber, is planning to realize the "Aegean Finance Center: Izmir" project that it is hoped will contribute to the development of Izmir and the Aegean Region and to a strong capital formation.

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Besides this, Our Chamber is planning to establish the Izmir University in order to contribute to the future of its young people who will thus increase the output of the Aegean economy.

Market Opportunities of İzmir and Eagean Region of Turkey



Due to her geographical location, economic structure, huge potential and high growth rate Turkey is a world class country, and a candidate for full membership of the EU.

Izmir's agricultural and industrial production makes her one of the most important cities of Turkey. The GDP of Izmir has a share of 7.7% in the total GDP of Turkey. With regard to per capita GDP Izmir occupies a position of

major importance in Turkey. The per capita bank deposit in Izmir is 26% higher than Turkey's average. Due to her geographical location Izmir is the gateway to Asia, the Far Eastern markets and the Turkic Republics.

Her favourable climatic conditions and geological structure allow all kinds of transportation. The planned construction of a second port will without doubt facilitate the commercial activities of the city. The fact that 10% of the total exports and imports of Turkey are serviced by Izmir indicates the significant role Izmir and the Aegean Region play in the Turkish economy. When taking into account all the additional advantages offered by the Aegean Free Zone the attractiveness of Izmir for foreign investment becomes obvious.

Izmir offers all the cultural and technical infrastructure as well as the natural and human resources that are necessary for all kinds of investments in a wide spectrum ranging from food to heavy industry.

İzmir International Fair

Having the identity of Turkey's exterior gates, the İzmir International Fair's foundations were sown with Atatürk's saying "No matter how great the military and political victories are, they will not be permanent unless they are supported by economic victories." Following the first Economic Congress held

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in İzmir in 1923. "The First Nine September Domestic Goods Exhibition" was organised. In 1933 the fair gained its identity as an international fair and began to be held on its present area of 421.000 sqm.

İzmir International Fair, the only member of UFI "Union des Foires Internationales" in Turkey developed in parallel with the economy of Turkey. The mergence of specialised fairs lead to changes in the fair organisation industry and on the February 7th 1990, İZFAŞ was established.

It is different from other countries in that its main purpose is not only to make profit but also to create a good economic circulation. İzmir fair has added another notch to its belt of achievements by obtaining the ISO-9001-2000 Quality Assurance Certificate. It is the first and only company in its sector to obtain this award. İzmir fair organises 20 specialised fairs in İzmir for the developing sectors of the Turkish economy.



The İzmir Metropolitan Municipality is the biggest shareholder of İzmir fair but the Aegean Region Chamber of Industry, İzmir Chamber of Commerce, Aegean Exporter's Union, Union of Chambers of Commerce and Industry, Maritime Commerce and Commodity Exchanges of Turkey and the İzmir Stock Exchange are also shareholders for promotional reasons.



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With 31.500-sqm outdoor exhibition area and 26.000 sqm of indoor exhibition area, İzmir Fair is the biggest fair organising company in Turkey. In addition to its fair organisation it also organises some cultural and art events which contribute greatly to the social life of the city.

CLIMATE

People coming to İzmir can expect long, hot summers and mild, rainy winters. The total precipitation for İzmir averages 27.8 inches per year; however, 77 percent of that falls during November through March.



The average maximum temperatures during the winter months vary between 12C and 14C. Although it's rare, snow has been recorded in İzmir in January and February. The summer months -- June through September - bring average daytime temperatures of 28 C degrees or higher.

Many people install fans or air conditioners to cool their apartments. Rain is extremely rare in the summer and you may have to undergo water rationing before the rains come in the fall.

TRANSPORTATION

It is easy to travel to İzmir by airway, highway, boat or railway.

İzmir Adnan Menderes Airport, İstanbul Atatürk Airport, İzmir Central Bus Terminal, and İzmir Çeşme Port are the official points of entry for the 23rd Universiade 2005 being organized in the city of İzmir .

Traveling to İzmir is possible by direct flights and through connected domestic flights as well. İzmir can also be easily reached by boat via the trips to the east Mediterranean sub-region. Access to İzmir by highway is through the

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domestic highway network to the city of İzmir, from Turkey's border gateways with Greece, Bulgaria, Syria, Iraq, Iran, and Georgia . Travel is also possible to İzmir by railway from the various stations in Europe, Syria, Iraq, and Iran.

Participants wishing to travel by airway or boat are warned about possible traffic congestion and reservation problems that may occur due to the peak traffic period coinciding with the period of the Games.



Furthermore İzmir is Turkey's third largest port and has the best natural harbor. Traffic at the harbor is not congested; an average of only about six ships transit the channel each day. Twelve ships can load/unload simultaneously, but İzmir is primarily a discharge port for tankers. The port is divided into several sections: outer harbor, middle harbor, inner harbor, and an explosives anchorage. The inner harbor has two primary port facilities: the old port which is sheltered by a breakwater and Alsancak. The navigable area of the harbor measures approximately 3 by 6 nmi. Vessels of any length with maximum draft up to 33 ft can operate at İzmir. However, the old port has a length restriction of 540 ft with a maximum permissible draft of 26 ft.

POPULATION

After İstanbul and Ankara, İzmir is the third most populous city in Turkey. According to the census conducted in 2000, its population is 3,387,908.

CUISINE

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İzmir's cuisine offers a rich variety of food due to the vegetation grown in the region and its multicultural history. Some of the common dishes enjoyed in the city are tarhana soup (made from dried yogurt and tomatoes), İzmir meatballs, stuffed artichokes, mücver (squash fritters), çipura, lokma and wild herbs.