The country, which spans both Europe and Asia, seems to present a picture of contradiction, as it embraces both Islam and secularism, and maintains ancient traditions while remaining modern at the same time. In fact, these contradictions form an integral part of Turkey’s identity and fuel the aspirations of a country jostling for a place among the world’s developing economies. Firmly rooted in the progressive ideals of its founding father Mustafa Kemal, Turkey is often projected as a beacon of tolerance and peace among Muslim-majority nations. The country, which makes no secret of its ambition to join the European Union, has been making giant strides in implementing social as well economic reforms to attain that goal.

THE RISE OF THE OTTOMAN EMPIRE

The Anatolian peninsula, which comprises the greater part of modern Turkey, was inhabited by many tribes and races from ancient times. After the Persian Achaemenid Empire’s occupation during the fifth and sixth centuries B.C., Alexander the Great dominated the region for a time, before the Roman’s began rule. Sultan Mehmed II captured the Roman city of Constantinople in 1453, an event which many historians mark as the end of the Middle Ages and the beginning of the Modern Age. Curtains came down on the majestic Byzantine Empire and out of its embers rose the Ottoman Empire, which would hold the center stage in world affairs for centuries to come. The fall of the city of Constantinople was also significant in that it brought an end to the supremacy of Christendom and papal authority. Culturally, the conquest led to far-reaching consequences, as many citizens escaped from the city to different parts of Europe, mainly Italy, which encouraged the flowering of the Renaissance movement. The cultural reawakening ignited a renewed interest in classical literature, art, and science. Economically, the conquest led to the closure of trade by land between Europe and Asia, which encouraged European explorers to discover new sea routes to Asia.
Turkey professes itself to be a democratic, secular, and constitutional republic. The majority of the population consists of ethnic Turks, while the Kurds constitute a minority. Islam is the predominant religion and Turkish is the official language. Ankara is the capital and Istanbul the largest city. Modern Turkey is a cultural cauldron, a confluence of Ottoman, European, Middle Eastern, and Central Asian traditions.

**MUSTAFA KEMAL MIDWIVES A NEW REPUBLIC**

The history of modern Turkey began when Mustafa Kemal “Ataturk” (Father of the Turks) established the Republic of Turkey in 1923 from the ruins of the Ottoman Empire, which collapsed following its defeat in the First World War. A visionary, Kemal implemented a number of social, legal, and political reforms intended to take the infant nation forward. The country was ruled by a single political party for around 25 years until the opposition Democratic Party came to power in the 1950 elections in a peaceful manner.

However, the peaceful state of affairs did not last long, marred by intermittent military coups. The opposition Republican People’s Party, which had lost successive elections in 1955 and 1957, accused the ruling government of clamping down on freedom of the press and deviating from the principles of Mustafa Kemal. The dissenting voices, which grew louder, also had the support of the country’s military. Finally, the first and the most significant of the nation’s military takeovers occurred on May 27, 1960, when the then Prime Minister Adnan Menderes of the Democrat Party was overthrown and executed after a long trial. The military intervention of 1960 sowed the seeds for the subsequent military coups in Turkey in 1971, 1980, and 1997.

Turkey also intervened in the neighboring island of Cyprus when the Greek military abetted a coup on the island nation, which deposed the then Cypriot president Makarios. The sectarian differences between Greek Cypriots, who formed the majority of the island’s population, and the minority of Turkish Cypriots spurred Turkey into action. Turkey’s military action and occupation of vast swathes of Cypriot territory in August 1974 led to the creation of the Turkish Republic of Northern Cyprus, which is recognized only by Turkey.

The ethnic Kurds, who form a minority in Turkey, have long complained that they are being discriminated against by the country’s government. Kurds also accuse the government of committing human rights violations. The Kurdistan Workers’ Party (PKK), later known as People’s Congress of Kurdistan or Kongra-Gel (KGK), launched a separatist insurgency movement in 1984, which continues to be a serious internal problem, resulting in the loss of many lives. The rebels lied low for a while, only to strike back by calling off the ceasefire in 2004, which led to fresh eruption of violence. In the wake of the renewed hostilities, the Turkish government extended an olive branch to the Kurds in 2009, by promising to bring down the number of troops stationed in areas populated by the Kurds.

Turkey became a member of the United Nations in 1945, and in 1952, the country entered the NATO. Now, the country is also a non-permanent member of the UN Security Council.

**LITERATURE, HAMAMS, AND WOMEN’S FREEDOM**

Turkey professes itself to be a democratic, secular, and constitutional republic. The majority of the population consists of ethnic Turks, while the Kurds constitute a minority. Islam is the predominant religion and Turkish is the official language. Ankara is the capital and Istanbul the largest city. Modern Turkey is a cultural cauldron, a confluence of Ottoman, European, Middle Eastern, and Central Asian traditions.
Turkey is also a tourist’s delight, exhibiting its rich cultural heritage from the Roman occupation to the Ottoman era, including remains of some magnificent churches and historical monuments. The country, which witnessed the blooming of many cultures, also nurtured the tulip flower, which was introduced to Europe during the Ottoman rule. Turkish architecture, which combines the influence of many cultures, flourished during the Ottoman period. A visit to Turkey would not be complete without the indulgence of a Turkish bath. The bathing places, known as hamams, were initially attached to mosques, but gradually developed an improved style and functionality. Somewhat similar to a modern-day sauna, the method of relaxation and cleansing the body soon evolved into a popular pastime during the Ottoman rule, with separate cubicles for men and women. Some of the hamams were also known for their architectural beauty.

While women have made significant strides in Turkey toward acceptance and public respectability, some contradictions still exist. Inspired by Kemal Atatürk’s legislations and his exhortation to women to become independent, Turkey elected its first female Prime Minister Tansu Ciller in 1993. Educated Turkish women are equally at ease whether they don the modern hat of a business tycoon, aspiring model, glamorous TV journalist, or dogged lawyer. The government prohibits wearing of headscarf in government offices, schools, and universities. However, behind closed doors, average Turkish women still seem to be dominated by their male counterparts. In traditional Turkish villages, women were only allowed to get together at places such as hamams and the public laundry. As people migrated in large numbers to the cities, most uneducated women now find themselves virtually confined to the four walls of small city apartments.

**BRIDGE BETWEEN EAST AND WEST**

After their great exodus from Central Asia to Anatolia in the Middle East about a thousand years ago, the Turks held sway over the entire region. Mustafa Kemal, who founded the Turkish nation, was an able military general and a shrewd tactician. Contrary to the popular perception, Kemal did not shun Turkey’s neighbors in the Middle East; he signed the Saadabad Pact with Iran, Afghanistan, and Iraq in 1934. In keeping with his motto of “Peace at home and Peace abroad”, the country became closely aligned with the U.S. after the proclamation of the Truman Doctrine in 1947, which sought to shield Greece and Turkey against Soviet expansionism. However, the Turkey-U.S. relationship never did run smoothly, as the U.S. intervention during the 1964 crisis in neighboring Cyprus showed. Recently, Turkey and the U.S. have differed on sanctions imposed on Iran and Syria even as they remain united on the Iraq issue.

Turkey’s animated response to the Israeli attack on a flotilla carrying humanitarian aid for the Gaza strip also proved to be a dampener on U.S. efforts to restore peace in the Middle East. In recent years,
Turkey has been trying hard to establish a rapport with some of its Arab neighbors. There has been a phenomenal increase in Turkey’s exports to the Middle East and North Africa, valued at about $31 billion in 2008, making the region the second biggest contributor to the country’s trading revenues after the European Union. Turkish goods such as cars and tableware now flood markets in countries such as Iran, Iraq, and Egypt. Apart from gas pipelines, Turkish construction firms have bagged contracts to build hotels, shopping malls, and even airport terminals in those markets.

Significantly, Turkey is trying to fill the power vacuum in the region created by the decreasing clout of former Arab heavyweights such as Egypt and Iraq and waning American influence in the wake of the Iraq imbroglio. Many of Turkey’s Muslim neighbors see the country as a bridge between the East and the West, while the country’s western friends consider it a credible example of a modern democracy.

ECONOMY’S LONG-TERM POTENTIAL REMAINS INTACT

Turkey, the Emerging Europe region’s second-largest economy, enjoys the geographical advantage of being located at the crossroads between the Middle East, Asia and Europe. Though woefully short of natural resources such as oil and natural gas, the country’s fundamental strengths in manufacturing and construction have played a key role in its growth over the last 15 years. But the country’s economic turnaround was, to a greater extent, driven by political factors. Years of revolving-door leadership and interference of a powerful military in governance had taken its toll on the economy, and in 2001 the country had to be bailed out by the International Monetary Fund. Predictably, the disgruntled electorate dumped the leading political parties of the day and voted the untested AK Party to power in the 2002 elections. The party leader Recep Tayyip Erdogan’s election as Prime Minister proved to be a game changer as the newfound political stability paved the way for the country’s future economic growth.

With Erdogan at the helm, solid governance trumped political turmoil as Turkey recorded GDP growth at an annual 6.8% between 2002 and 2007, thanks to the expansion in exports. Changes were palpable in other barometers of economic health too. Government debt was brought down from 90% of the country’s gross domestic product to 40%, while private sector debt declined to 45% of the GDP. Ruchir Sharma points out in his book, Breakout Nations, that inflation, too, was tamed to single-digits by 2004 from a whopping 50% in the 90s, which also helped bring down interest rates. Though Turkey’s growth story was disrupted by the financial crisis of 2008-09, the economy bounced back quickly, clocking annual growth of 9% in 2010 and 2011.

Among the engines of its economic growth, Turkey’s strength has always been its manufacturing prowess, especially the production of cars, white goods, and furniture. Some multinational car manufacturers have made Turkey their base for the European market, while Turkish television brands not only dominate the domestic market, but are household names across Europe.
Turkey’s trade relationship with the European Union has remained strong, partly due to geographical proximity. The manufacturing sector seems to be benefiting from its ties with Europe, its biggest export market. Some of the Turkish conglomerates function as modernized, European companies and hence have a wider appeal in many of the Euro-zone markets. The continent accounts for 60% of Turkey’s trade, while European businesses make the majority of foreign direct investments in the country.

Next to Europe, the Middle East is Turkey’s second biggest trade partner. Cultural affinities with the Arab-speaking world certainly helped foster the bilateral relationship. Among Middle Eastern countries, Turkey has close trade ties with Iraq, one its top four export markets. The quantum of Turkey’s exports to the Middle East has risen from 7% of the total mix in 2002 to about 20%.

Still, the nimbleness of Turkish firms in exploring new markets is most evident in the construction industry. Home-grown construction majors have ventured out into remote parts of North Africa, Russia and the Middle East, where Western firms typically fear to tread. For instance, Turkish building firms cashed in on the opportunities created by the withdrawal of United States from Iraq. Considering the scale of growth achieved by these firms, it is not surprising that Turkey’s construction industry is ranked second only to China globally.

Among Turkey’s service industries, the banking sector is the most prominent. Fortunately, the country’s banking sector matured after the financial crisis that hit the economy in 2000-2001, which led to a clean-up of the banking system. Foreign banks were attracted to the domestic banking sector due to the regulations that paved the way for transparency and political stability. And the rising middle class with still large untapped sections of the population offer potential for further growth in the sector.

Turkey’s reputation as a global tourism hot spot has served the economy well. Transport hubs such as Istanbul offer easy connectivity from prominent destinations in Europe and the Middle East. Turkey’s secular credentials despite being a Muslim-majority nation also add to its allure to foreign tourists.

Favorable demographics have played a pivotal role in Turkey’s economic growth story as well. Turkey’s 80-million, relatively young population, is a big draw for consumer-oriented businesses such as retail and automobile manufacturing. Moreover, there has been a systematic decline in the percentage of the population living below the poverty line since the 1990s. Thanks to the improvement in the standard of living, the middle-class comprises about 40% of the country’s population, while per capita income has jumped from $3,500 to about $10,500. What’s more, personal or household debt constitutes just 15% of the gross domestic product, which bodes well for increased consumer spending.

ROAD BLOCKS

Turkey’s savings, at 20% of the GDP, are quite low for a country with a young and relatively rich population, which necessitates external borrowing. Increased welfare spending, a healthy job market and easy availability of credit discourage savings by Turkish households. Turkey appears to have fallen into the middle-income trap, a situation many developing economies find themselves in.
Turkey appears to have fallen into the middle-income trap, a situation many developing economies find themselves in. For the country to transition into the high-income category, it must experience steady, persistent growth over a period of time, not the kind of seesawing growth that Turkey has seen. Another important criterion for the country’s ascent would be the acceleration of reforms that would help its economy move forward. With an institutional framework put in place, businesses could enhance their productivity by functioning in a free and fair manner.

The economy’s dependence on trade works to its advantage when the winds are favorable, yet can backfire when its export markets face headwinds. Nonetheless, Turkey boasts of a large, vibrant domestic market which can sustain economic growth in hard times. Despite these shortcomings which are common to many emerging economies, a stable, democratic government which upholds the rule of law would well be Turkey’s best bet in the years ahead.
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