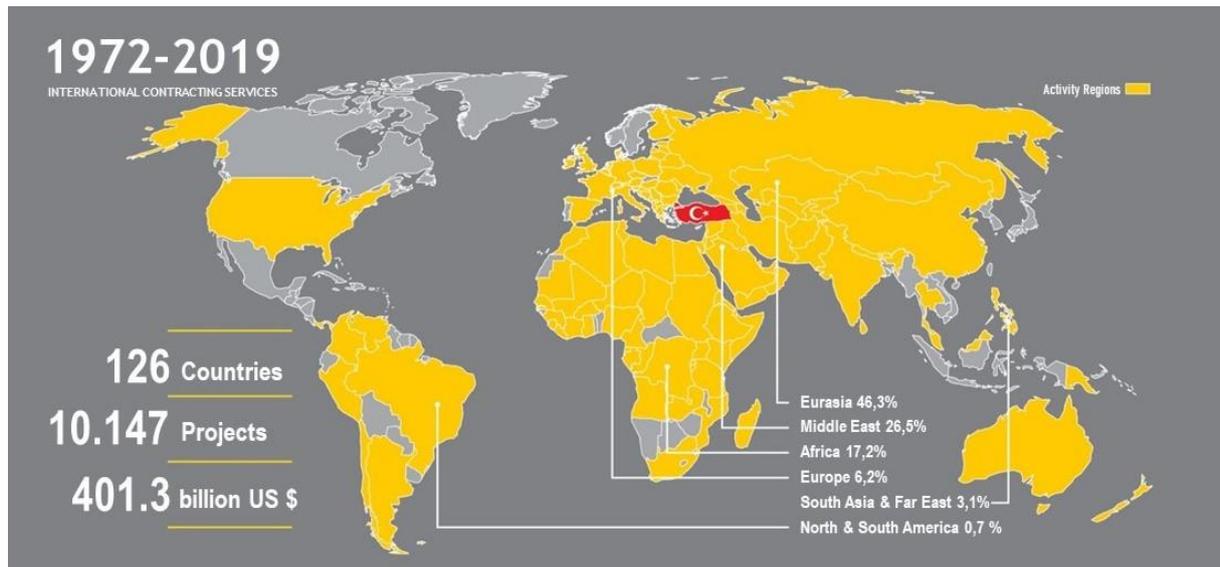


TURKISH CONTRACTING IN THE INTERNATIONAL MARKET

Brief overview



Construction industry plays a crucial role in Turkey's economic development, accounting for nearly 8-9% of GDP and employing almost 2 million people. With the direct and indirect impacts on other sectors the share of the construction sector in the Turkish economy reaches 30%.

The constantly growing global competitiveness of the Turkish contractors and building materials producers, contribute significantly to the balance of payments of Turkey.

In the period of 1972-2019 Turkish contractors have undertaken 10.147 projects in 126 countries, with a total value of 401.3 billion USD. On the other hand Turkey is among the world's leading producers of building materials.

Turkey's unique geographical location contributes a great deal to the global competitiveness of the Turkish contracting services abroad. Turkey's strength in the field is not only due to its location, but also the cost effective service provided at international standards, high client satisfaction, and credibility in partnerships, vast international experience in a wide variety of projects, familiarity with the business environments in the neighbouring regions, qualified manpower and a calculated risk-based approach to business.

Based upon 2018 data, 44 Turkish contracting companies ranked among "The World's Top 250 International Contractors" list, published on August 2019 by the leading international industry magazine "ENR - Engineering News Record". With this number Turkey ranked second in the world after China and maintained its position for 10 years.

Turkish contracting companies successfully compete on 5 continents and in 126 countries offering affordable services of high quality. They are open to enhancing international partnerships not only in the field of contracting, but also in construction industry investments, ranging from the production of building materials to infrastructure, housing, industrial plants and tourism projects in the African, Eurasian and Middle Eastern countries. Turkish contractors continue to increase their competitiveness with extensive know-how and experience gained in all kinds of challenging projects and in all forms of business environments since 1972.

History

The Anatolian Peninsula, on which Turkey is located, has a history that dates back to 8000 B.C., when the earliest human settlements emerged. The region has been the birthplace of 13 major civilizations, which flourished and left behind many magnificent sites and structures. The incredible richness and diversity of Turkey's cultural heritage are the important factors that fostered the maturity of a building tradition in Turkey that has developed over millennia – from the Hittites to the Romans, Byzantines, and Ottomans.

The development of the Turkish construction sector over the last 97 years since the foundation of the Turkish Republic can be evaluated in five successive periods: Preparation, domestic market efficiency, international market penetration, market and product diversification and global competition. The first two periods continued until the beginning of the 1970s.

Foundation of the Republic and First Steps

Following its foundation in 1923, the Republic of Turkey experienced a rapid modernization process along with the political, economic, social and cultural reforms with major infrastructure and industrial investments realized throughout the country.

In the 1920s special measures, including the employment of foreign experts in public institutions, had to be undertaken by the government to overcome the shortage of local engineers and architects. Under the influence of these public policies, and partly due to the economic crisis witnessed in Europe in those years, many European engineers, architects and entrepreneurs came to Turkey; and in the years 1925–1926 at least one third of the 28 construction companies established in Istanbul were of European origin.

The 1930s was the period of formation of the first generation of Turkish engineers, who founded many large scale construction companies and successfully realized numerous challenging projects both in Turkey and abroad.

The political change experienced in Turkey in 1950 and the country's accession to NATO in 1952 were the important milestones in the history of the Turkish construction sector with regards to infrastructure investments realized in the following years. In the

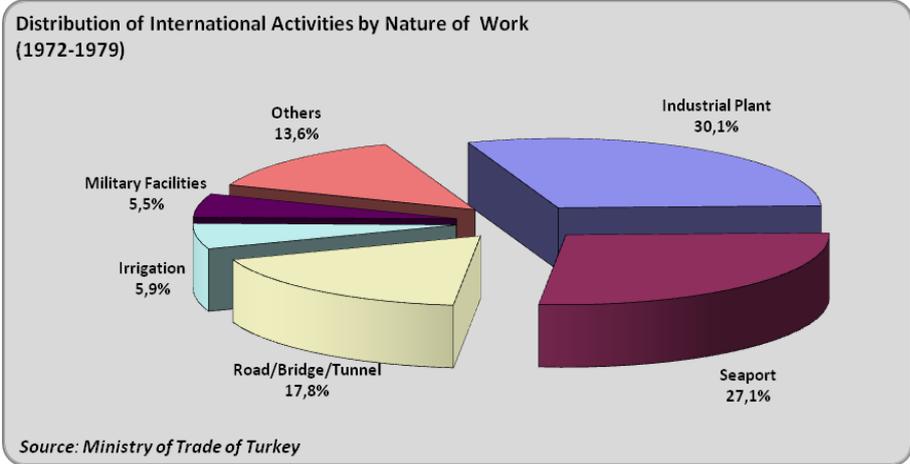
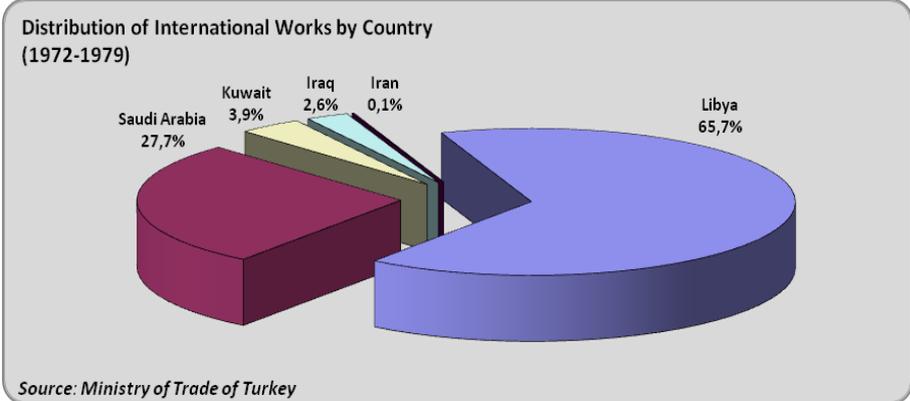
same period, the first wave of Turkish engineers graduated from universities and began their careers in an environment that offered great opportunities for the establishment of their own companies; and it was those businessmen who founded in 1952 the oldest non-governmental organization in the Turkish construction sector, the Turkish Contractors Association (TCA).

Construction of water supply projects in the 1950s, large dams and power plants in the late 1960s and early 1970s provided many opportunities to Turkish contractors to spread their activities throughout Anatolia.

1972–1979 Period: International Contracting Adventure Begins

In 1970s, Turkish contractors began pursuing business opportunities in foreign markets. Libya was the first country to export Turkish contracting services in 1972, whereas in less than 10 years Turkish contractors extended their activities to the Middle Eastern countries. With a share of 65.7% in the overall business volume Libya was the number one market for Turkish contractors in this initial period of international business, followed by Saudi Arabia (27.7%), Kuwait (3.9%), Iraq (2.6%) and Iran (0.1%).

The major field of activity in this period was industrial plants (30.1%), followed by seaport (27.1%), road/bridge/tunnel (17.8%) and irrigation projects (5.9%).



1980–1989 Period: New Business Opportunities

The 1980s was an important decade in the restructuring of Turkey's economy. Starting from 1983, parallel to the developments in the western countries, the country experienced a significant transition from closed economy of the 1970s to the market economy. Together with the convertibility of the Turkish currency, new agencies, such as the Housing Development and the Public Participation Administration were founded and new concepts, such as privatization and liberal economy were introduced to the country's economic system.

In the same period important infrastructure investments started in Turkey. Ataturk Dam (2400 MW), highway projects (approximately 2000 km) and telecommunication investments provided excellent opportunities for Turkish firms to cooperate with international partners, and thus improve their technical and managerial skills and become acquainted with the global finance system.

At the end of the 1980s the political changes in Eurasia provided further opportunities to Turkish contractors. Many companies focused on the Russian Federation as well as the newly formed Central Asian Republics. In the same period they extended their activities to other markets including Iraq, Saudi Arabia, Yemen, Jordan, Iran, the United States, Tunisia, the United Arab Emirates and Kuwait.

Despite a relative decrease in proportion (56.6%), the majority of the international contracting activities continued in Libya, with Iraq (19.9%) and Saudi Arabia (16%) ranking second and third.

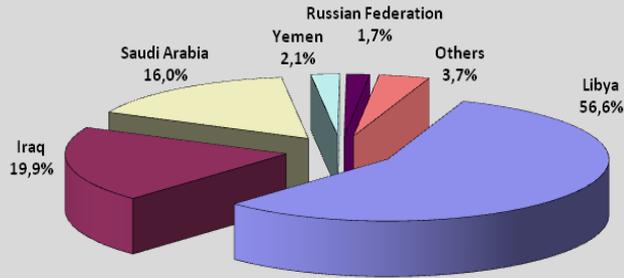
Dissolution of the Soviet Union and emergence of the new Central Asian Republics besides the Russian Federation (1.7%) were the new developments of this period.

The entry of Turkish contractors into the Russian market coincided with the last years of USSR. The USSR - Turkey Natural Gas Agreement, which includes the provision that a certain portion of the imported natural gas should be paid back with the Turkish goods and services, was signed on September 18, 1984 and entered into force in 1987.

The fact that 25% of the imported natural gas amounts started to be used in the contracting services within the scope of the said Agreement, enabled the development of the activities of the Turkish contractors in this market.

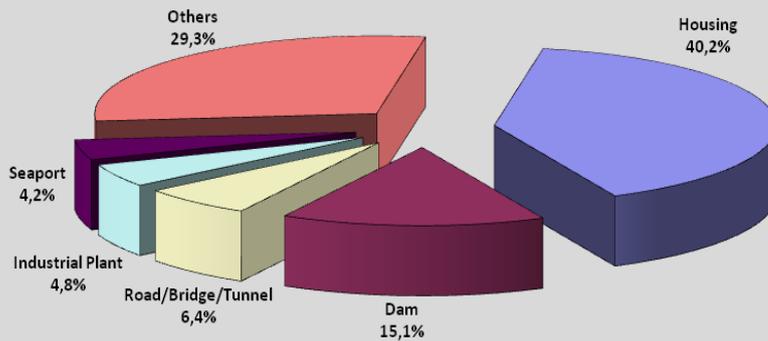
During this period the shares of housing (40.2%) and dam projects (15.1%) increased, followed by road/bridge/tunnel (6.4%) and industrial plant projects (4.8%).

Distribution of International Works by Country
(1980-1989)



Source: Ministry of Trade of Turkey

Distribution of International Activities by Nature of Work
(1980-1989)



Source: Ministry of Trade of Turkey

1990–1999 Period: Market Diversification

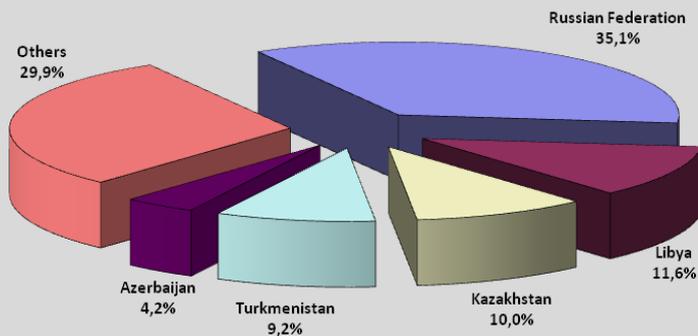
In 1990s, economic depression and political uncertainties in the Middle Eastern countries and Libya forced Turkish contractors to turn their attention to other countries in the nearby regions, with the new focus on Eurasian, Balkan and Asian countries. Many large-scale projects in the Russian Federation, Ukraine, Central Asian Republics, Germany and Pakistan were realized in this period.

Within the period of 1990–1999 the projects completed in the Russian Federation and other Eurasian countries accounted for almost 60% of the total international business.

Market diversification was the major trend that characterized this decade. While the share of the Russian Federation increased to 35.1%, Libya's share decreased drastically to 11.6%, followed by Kazakhstan (10%), Turkmenistan (9.2%) and Azerbaijan (4.2%). Other important developments were considerable decrease in the proportion of works in Saudi Arabia and disappearance of Iraq from the scene.

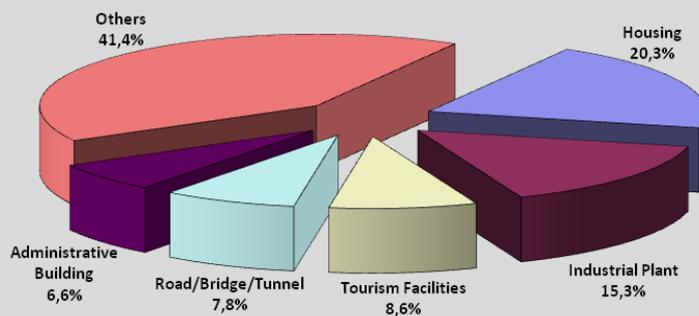
Despite a sharp decrease in the share of housing works (20.3%) compared to the previous period, housing continued to be the number one activity in this period as well. Housing was followed by industrial plants (15.3%), tourism facilities (8.6%) and road/bridge/tunnel works (7.8%).

Distribution of International Works by Country (1990-1999)



Source: Ministry of Trade of Turkey

Distribution of International Activities by Nature of Work (1990-1999)



Source: Ministry of Trade of Turkey

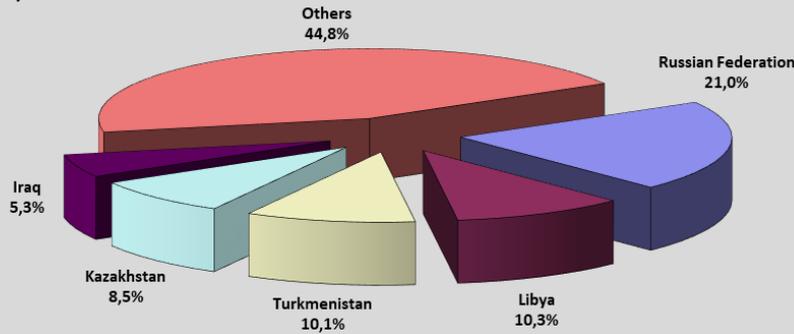
2000–2009 Period: Focus on International Market

After the 2001 economic crisis the international contracting services have experienced a very rapid development. The annual business volume undertaken abroad increased sharply from 4.4 billion USD in 2002 up to 25.8 billion USD in the year 2007. Under the effects of the global crisis in the following years, this figure decreased to 20.4 billion USD in 2009.

In the period of 2000–2009, the majority of international contracting was undertaken in the Russian Federation (21.0%) and followed by Libya (10.3%), Turkmenistan (10.1%), Kazakhstan (8.5%) and Iraq (5.3%).

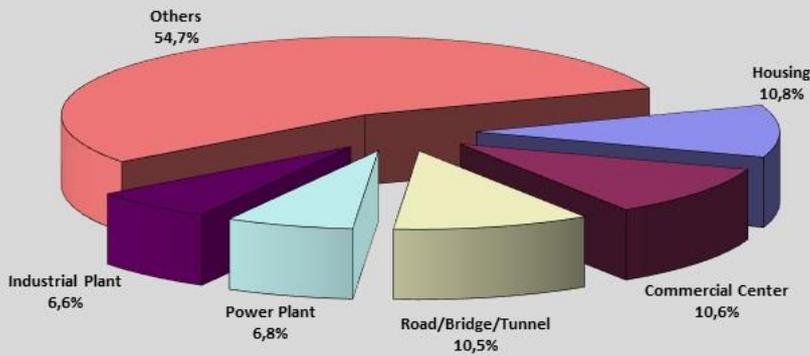
Although more than 30% of the international works carried out by Turkish contractors till 2000 was in the housing sector, the share of housing works decreased to 10.8% in the period of 2000-2009; meanwhile the share of commercial centers (10.6%), road/bridge/tunnel (10.5%), power plant (6.8%) and industrial plant (6.6%) projects showed a significant increase.

Distribution of International Works by Country
(2000-2009)



Source : Ministry of Trade of Turkey

Distribution of International Activities by Nature of Work
(2000-2009)



Source : Ministry of Trade of Turkey

The factors which contributed to the rapid development of international contracting services during the period of 2000-2009 can be grouped under three main categories: reduced business opportunities in Turkey, the attractiveness of business opportunities abroad and the increasing competitiveness of Turkish contractors:

- Domestic investments decreased significantly after the crisis in 2001. Furthermore, the "abnormally low tenders" in bids created unfair competition for qualified companies and forced them out of the domestic market, eventually turning their attention to the international market.
- Having realized large-scale infrastructure projects in cooperation with foreign partners in Turkey between the years 1985 and 2000, Turkish contracting firms gained significant experience in production at international standards, project management and relations with international financial institutions.
- Investments in oil and gas exporting countries, which are geographically close and culturally familiar to Turkey increased as a result of booming oil prices and this development created attractive business opportunities for the Turkish contractors.

Due to the above mentioned factors the annual international business volume of Turkish contractors grew at a pace that far surpassed the annual targets.

In this period, market diversification and specialization in certain types of projects were the major trends. The number of countries in which Turkish contractors was working increased considerably, causing the percentage of work in each country to decrease relatively.

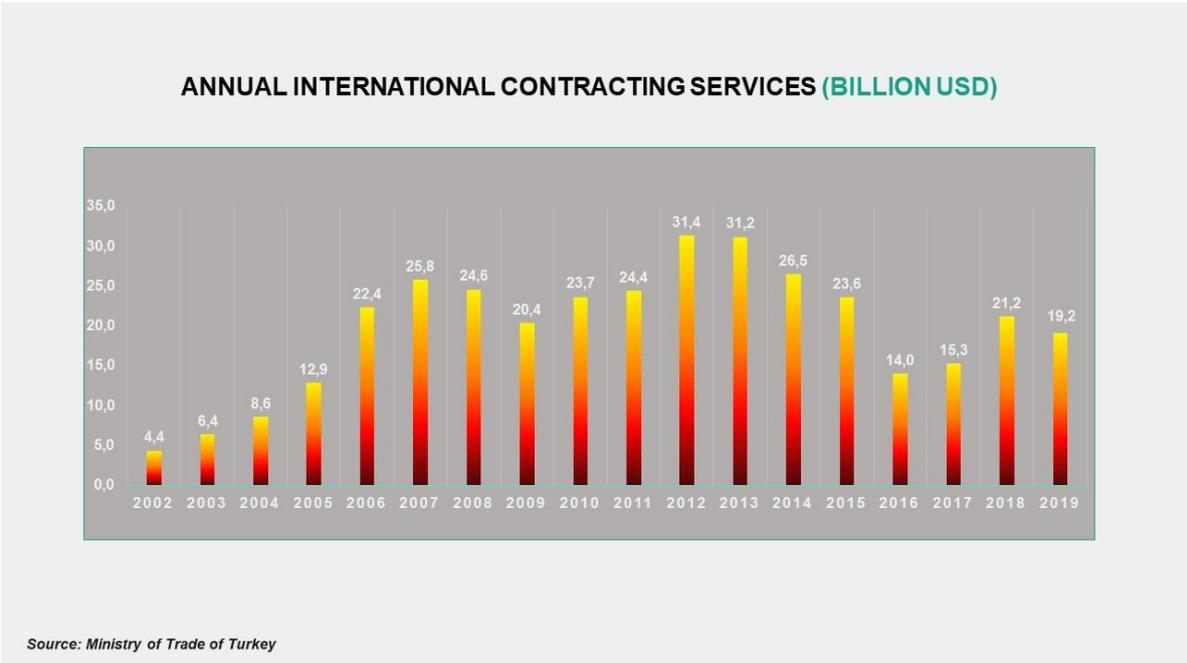
In the aftermath of the interventions in Afghanistan and Iraq, the reconstruction activities in these countries were closely followed by Turkish contractors, and as a result, Iraq in particular has become one of the most important markets for Turkish contractors again.

2010-2019 Period: Fluctuation in the Global Market

During the period of 2010-2019, a fluctuating outlook prevailed in the annual international business volume of Turkish contracting firms. The annual volume of international business which was 23.7 billion USD in 2010 reached its peak as 31.4 billion USD and 31.2 billion USD in 2012 and 2013 respectively.

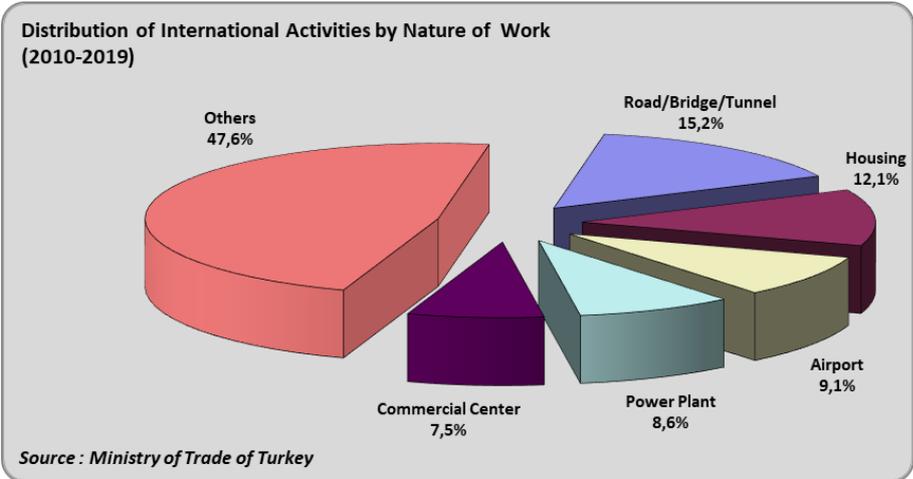
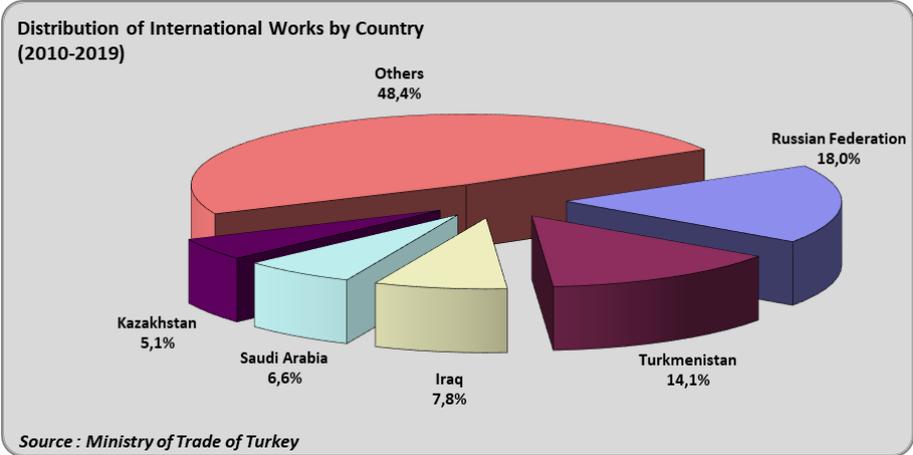
In 2014, with a decrease of 15%, the annual business volume realized as 26.5 billion USD. It continued falling afterwards, due to the political and economic developments in the world, downfall of oil and commodity prices and the problems occurred in the Russian market and sharply decreased to the level of 14 billion USD in 2016.

The annual international business volume of the sector realized as 15.3 billion USD, 21.2 billion USD and 19.2 billion USD in the years 2017, 2018 and 2019 respectively.



Within the period of 2010–2019, the Russian Federation (18.0%) was the leading market for the Turkish contractors which was followed by Turkmenistan (14.1%), Iraq (7.8%), Saudi Arabia (6.6%) and Kazakhstan (5.1%).

During this period, the share of the road/bridge/tunnel and housing projects increased to 15.2% and 12.1% respectively, airports (9.1%) came into the picture and followed by power plants (8.6%) and commercial centers (7.5%).



According to the data the construction industry magazine Engineering News Record (ENR), the size of the international construction market which was 507 - 544 billion USD in the 2012-2014 period, went back till to 468.1 billion USD in the period of 2014-2016.

The international construction market size, which reached 482.4 billion USD in 2017, recorded a limited growth of 1% in 2018, reaching 487.3 billion USD. This is a clear indication that the stagnation is continuing in the global construction industry.

2017-2019 Period at a Glance

The Turkish contracting firms undertook 301 projects in 58 countries amounting to 15.3 billion USD in 2017. Tanzania, Saudi Arabia, UAE and the Russian Federation were the leading markets of this year.

In 2018, 324 projects in the amount of 21.2 billion USD in 57 countries were undertaken by the Turkish contracting firms. In this year, the Russian Federation, Saudi Arabia, Qatar and Sudan were the top markets. Russian Federation returned to its leading position with a share of 21.3% in our international contracting services in this year.

It is observed that the Turkish contractors have undertaken 475 projects in 60 countries with a business volume of 19.2 billion USD in 2019. In this year, 57 projects in the amount of 5.8 billion USD was undertaken in the leading market Russian Federation, followed by Qatar (10 projects, 1.4 billion USD) and Iraq (25 projects, 1.1 billion USD).

TOP MARKETS					
2017		2018		2019	
	Total Business Volume (USD)		Total Business Volume (USD)		Total Business Volume (USD)
Tanzania	2.531.336.000	Russian Federation	4.507.191.154	Russian Federation	5.833.617.011
Saudi Arabia	2.097.033.900	Saudi Arabia	3.043.392.648	Qatar	1.391.944.793
UAE	1.688.929.928	Qatar	2.038.472.741	Iraq	1.140.898.832
Russian Federation	1.226.954.780	Sudan	1.668.742.518	Kuwait	1.064.494.958
Algeria	1.102.566.457	Kazakhstan	1.562.769.691	Kazakhstan	1.017.265.388
Iraq	1.041.784.177	Poland	1.531.164.171	Uzbekistan	973.814.717
Georgia	739.476.392	Turkmenistan	755.483.543	Turkmenistan	815.302.476
Kazakhstan	656.531.658	Algeria	588.909.027	Saudi Arabia	559.337.200
Qatar	501.515.700	Romania	478.600.000	Azerbaijan	550.819.831
Nigeria	382.093.320	Kuwait	445.119.063	Hungary	442.811.492
Others	3.329.406.613	Others	4.594.913.333	Others	5.364.117.913
TOTAL	15.297.628.925	TOTAL	21.214.757.889	TOTAL	19.154.558.084

Source: Ministry of Trade of Turkey

The regional distribution of the projects undertaken in 2019 were realized as follows; Eurasia 52.1% (10.0 billion USD), Middle East 25.4% (4.8 billion USD), Europe and America 13.7% (2.6 billion USD), Africa 7.3% (1.4 billion USD) and South Asia and Far East 1.7% (324.5 million USD).

The road / bridge / tunnel projects took the first place with a share of 15.6%, and followed by housing, airport, petrochemical plant and trade center projects in this year. This is an indication that higher value added projects have undertaken in 2019 by the Turkish contractors.

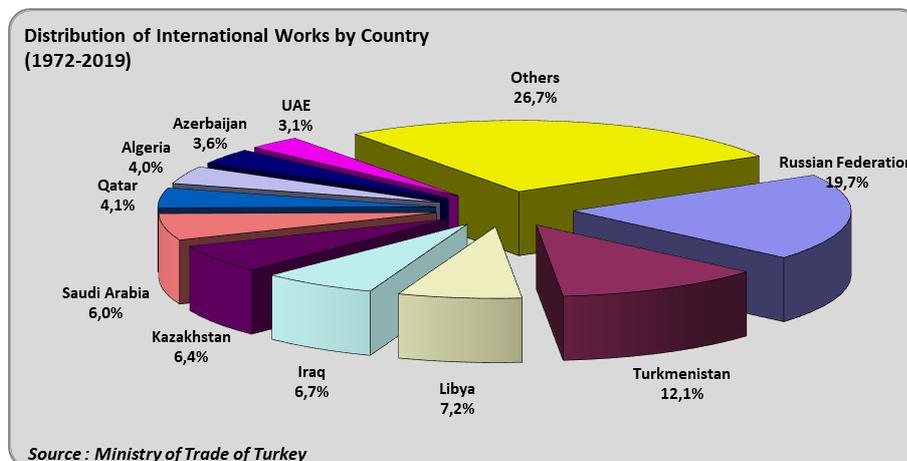
Overview of the 1972 – 2019 Period

The Turkish contractors have undertaken 10.147 projects in 126 countries with a total business volume of 401.3 billion USD within the course of 1972- 2019 period. Rich experience in diverse markets, cost effective service at international standards, ability to take initiative, willing to take risks and extensive partnership experience are the key factors behind the success of the Turkish contractors. In addition to all, good communication skills, easy adaptation and integration to the social life of the countries where they are operating are also the advantages of the Turkish contractors.

According to the regional distribution of the international business volume with a share of 46.3% Eurasian countries were well ahead than the other countries. Eurasia was followed by the Middle East (26.5%), Africa (17.2%), Europe and America (6.9%) and South Asia & Far East (3.1%).

In other words, approximately half of the international business of the Turkish contractors were in the Eurasian countries and 90% of the international business was realized in the Eurasian, Middle Eastern and African countries within the period of 1972-2019.

Within this period, the majority of international contracting was undertaken in the Russian Federation (19.8%), and followed by Turkmenistan (12.1%) and Libya (7.2%).

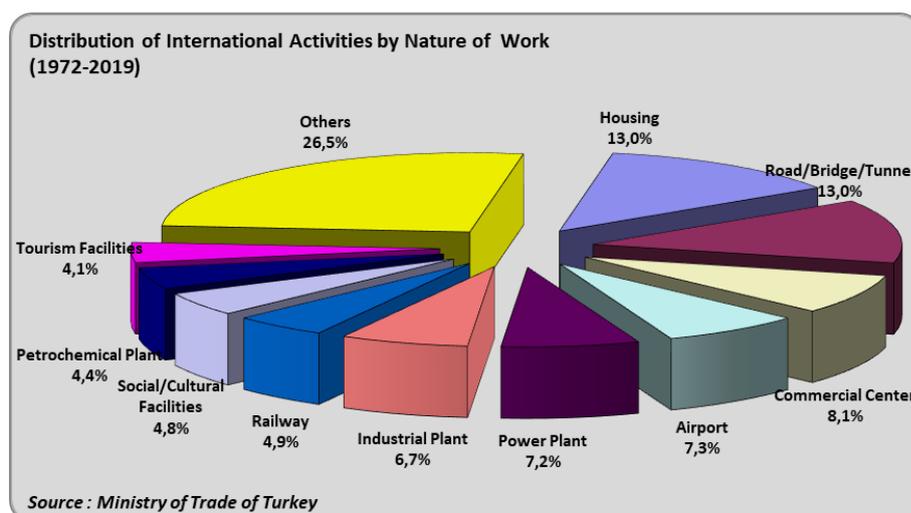


During this 47 years period, the market, product and business diversification has gained momentum in the sector and some contractors have specialized in certain project types like international airports, railways, and metro and light rail systems.

With a share of 13% housing was the number one activity in this period, followed by road/bridge/tunnel, commercial centers, airports and power plants.

Although housing stayed in the first rank among the types of works that the Turkish contractors realized, its share in the overall international contracting gradually decreased while the share of road/bridge/tunnel, business centers, power plants,

airports, industrial facilities, railways, social-cultural facilities, petrochemical plants and tourism facilities have increased significantly.



In 2019, 44 Turkish contracting companies ranked among the "Top 250 International Contractors" announced by the leading industry magazine "Engineering News Record". With 44 companies Turkey ranked in the second place after China and maintained its position for more than 10 years.

Top 250 International Contractors List/ Top 10 Countries by years

COUNTRY	2018	2017	2016	2015	2014	2013	2012
China	76	69	65	65	65	62	55
Turkey	44	46	46	40	43	42	38
USA	37	36	43	38	32	31	33
S. Korea	12	11	11	13	12	13	15
Italy	12	11	14	15	15	16	17
Japan	11	14	13	14	14	14	15
Spain	9	11	11	11	11	13	12
Germany	4	4	2	4	4	5	4
Australia	4	4	3	3	4	4	4
India	4	6	3	4	3	4	4
Other	37	38	39	43	47	46	53
TOTAL	250						

Source: ENR (Engineering News Record) – August 2019

According to the above mentioned list, the Turkish construction sector has received a share of 22.2 billion USD from the global construction sector revenue of 487.3 billion USD. The share of the Turkish contracting firms' revenues in the global income fell from 4.8% to 4.6%.

The Chinese (24.4% - 118.9 billion USD), Spanish (14.1% - 68.7 billion USD), French (8.7% - 42.6 billion USD), American (7% - 34.2 billion USD), German (6.5%- 31.6 billion USD) and Korean (6% - 29.1 billion USD) construction firms had the biggest shares in the global income.