



**STANDING SENATE COMMITTEE ON  
FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

***BUILDING BRIDGES:  
CANADA-TURKEY RELATIONS AND BEYOND***

**June 2013**

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## FOREWORD

Between the finalization, translation and publication of this report, the world's attention has turned to the demonstrations occurring in Turkey.

In the section "Current Issues and Areas of Concern" found on pages 16-18 of the present report, the Standing Senate Committee on Foreign Affairs and International Trade describes the internal challenges and issues Turkey must address as it continues its democratic and economic modernization.

The Committee believes that the contents of this report remain an accurate assessment of the evolving Canada-Turkey relationship.



## ACKNOWLEDGEMENTS

The Standing Senate Committee on Foreign Affairs and International Trade has over the past three years studied emerging countries with which Canada stood to benefit from stronger ties. Through our studies on the now-familiar BRIC countries (Brazil, Russia, India and China), frequent reference was also made by interlocutors to the changes shaping the Republic of Turkey. It was thus that the Committee decided to investigate these changes more closely.

What we found was a country whose impressive economic growth, dynamic population and strategic approach to domestic and foreign affairs has been less-well documented or understood, but whose potential to complement Canadian interests is no less worthy of our attention. Referring to Turkey as “a country on the move,” the Committee encourages Canada to engage politically, commercially and interpersonally, with a view towards fostering what it believes can be a rewarding, long-term Canada-Turkey relationship.

The resolve to drive this relationship forward was evidenced in the readiness of more than fifty witnesses and interlocutors to meet with the Committee during its study. These included ministers and government officials, journalists and academics, business leaders and chambers of commerce. I am grateful to them all for the knowledge and valuable perspectives they imparted.

I would also like to thank the members of the Committee and their staff for ensuring the Committee considered the range of issues involved in present and prospective Canada-Turkey relations. Special thanks go to Senator Percy Downe, Deputy Chair of the Committee, whose input and advice are critical to the Committee’s ongoing work and effectiveness.

I would also like to acknowledge Senator Doug Finley, whose unfortunate passing during the course of this study represented a loss to the Committee. As a member of our Steering Committee, Senator Finley often served as the conscience of the Committee, driving us to get on with our work.

My appreciation goes to the Committee’s Clerk, Adam Thompson, its researchers, Natalie Mychajlyszyn and Brian Hermon, and its translators, whose thoroughness is manifest in the pages of this report.

The Standing Senate Committee on Foreign Affairs and International Trade has over the years developed a reputation that, I am proud to say, today precedes its every output. Indeed, our decision to study Turkey brought fresh attention to that country within the Government of Canada before this report was published. I hope the insights and recommendations herein contribute to efforts by the Canadian government, business and civil society to develop the Canada-Turkey partnership to its full potential.

*Senator Raynell Andreychuk  
Chair of the Committee*



## **THE COMMITTEE**

**The following Senators have participated in the study:**

- \*The Honourable Raynell Andreychuk, Chair of the Committee
- \*The Honourable Percy E. Downe, Deputy Chair of the Committee

and

The Honourable Senators:

Salma Ataullahjan,  
Dennis Dawson,  
\*Pierre De Bané, P.C.,  
Jacques Demers,  
\*Suzanne Fortin-Duplessis,  
Janis G. Johnson,  
Pierre Claude Nolin,  
Fernand Robichaud, P.C.,  
\*David P. Smith, P.C., and,  
John D. Wallace.

\*Indicates senators who participated in the fact-finding mission to Istanbul and Ankara, Republic of Turkey.

**Ex-officio members of the Committee:**

The Honourable Senators Marjory LeBreton, P.C. (or Claude Carignan) and James Cowan (or Claudette Tardif)

**Other Senators who have participated from time to time in the study:**

The Honourable Senators Doug Black, Bert Brown, Larry W. Campbell, Maria Chaput, Michael Duffy, Doug Finley, Elizabeth Hubley, Leo Housakos, Daniel Lang, Frank Mahovlich, Michel Rivard, Pamela Wallin and David M. Wells.

**Staff of the Committee:**

Brian Hermon, Analyst, Parliamentary Information and Research Service, Library of Parliament,

Natalie Mychajlyszyn, Analyst, Parliamentary Information and Research Service, Library of Parliament,

Adam Thompson, Clerk of the Committee, and  
Lori Meldrum, Administrative Assistant.

**Other Staff who have assisted the Committee from time to time in the study:**

Mona Ishack, Communications Officer, Senate of Canada.

## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Wednesday, November 7, 2012:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Stratton:

That the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on economic and political developments in the Republic of Turkey, their regional and global influences, the implications for Canadian interests and opportunities, and other related matters; and

That the committee table its final report to the Senate no later than March 31, 2013 and that the committee retain all powers necessary to publicize its findings until April 30, 2013.

After debate,

The question being put on the motion, it was adopted.

Extract from the *Journals of the Senate* of Thursday, March 7, 2013:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Martin:

That, notwithstanding the order of the Senate adopted on Wednesday, November 7, 2012, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its examination of the economic and political developments in the Republic of Turkey be extended from March 31, 2013 to June 30, 2013; and

That the committee retain all powers necessary to publicize its findings until July 31, 2013.

The question being put on the motion, it was adopted.

Gary W. O'Brien

*Clerk of the Senate*



## EXECUTIVE SUMMARY

This report presents the findings of the Standing Senate Committee on Foreign Affairs and International Trade on the opportunities for renewing Canada's relationship with the "new Turkey," a country that is leveraging its economic successes, its large, young, and enterprising population, and its geostrategic advantages to expand its global and regional influence.

The report finds that **Canada is not too late** to capitalize on the opportunities that Turkey presents, and further, that Canada's strategic priorities and commercial strengths coincide with Turkey's foreign policy and trade objectives, as well as its commodity and import needs.

Building on the groundwork already laid out by government officials, businesses and educational institutions, **the report offers six recommendations to the Government of Canada that focus on ways to deepen political engagement and enhance commercial diplomacy in order to renew relations between Canada and Turkey and strengthen mutual awareness.**

Canada's commercial relations with Turkey are expanding, but there is substantial room for further trade and investment growth, particularly in sectors where the expertise of Canadian companies matches Turkey's economic priorities. **The Committee believes that now is the right time for Canada and Turkey to pursue deeper commercial partnerships, and for Canadian investors and businesses to focus on the Turkish sectors with the greatest opportunities, including in agriculture, mining, energy, infrastructure and transportation, as well as education.**

**The Committee underscores that fostering a positive and constructive dialogue at the highest political levels is critical to building the Canada-Turkey relationship, increasing Canada's visibility and helping Canadian businesses to position themselves for success in Turkey. In particular, deeper political engagement underpins other initiatives and enhances their contribution.** Accordingly, the Committee recommends that **the Government of Canada maintain consistent engagement with the Government of the Republic of Turkey at the highest political levels in order to develop a new and more significant bilateral relationship.**

Turkey, like Canada, is a trading nation and the Committee believes that the two governments should work together to determine if they can find common ground on a mutually beneficial bilateral free trade agreement. **The Committee recommends that the Government of Canada identify Turkey as a strategic commercial priority and accelerate negotiations with the Government of the Republic of Turkey for a free trade agreement.**

Because of the importance of partnerships in realizing commercial opportunities, accessing valuable market intelligence and navigating the Turkish business culture, the Committee strongly

encourages the Government of Canada to enhance the capacity of Export Development Canada in Turkey and promote partnerships between Canadian businesses and Turkish business associations. The Committee also believes that the potential exists for Canadian businesses to partner with Turkey in third countries in Africa, the Middle East and Asia in order to maximize compatible commercial strengths. Such joint initiatives would be especially mutually beneficial in situations where financing is the issue for each country. Accordingly, **the Committee recommends that the Government of Canada facilitate partnerships between Turkish and Canadian businesses, including innovative financing collaborations in third countries.**

**The Committee underscores education as a key driver in deepening engagement between Canada and Turkey from which trade and investment opportunities will flow.** However, the market for international students is very competitive and Canada needs to be proactive in marketing itself as the destination of choice. In this context, **the Committee believes that Canada needs to develop relationships with educational stakeholders in Turkey, and to invest more in marketing Canada as an educational destination.**

In light of Turkey's education and training priorities, the Committee believes that **an arrangement that allows Turkish youth to work and study in Canada for up to one year would expose Turkish as well as Canadian youth to invaluable educational and employment experiences, and strengthen their capacity to contribute to their country's economy.** Accordingly, the Committee recommends that **the Government of Canada undertake to enter into a youth mobility agreement with the Government of the Republic of Turkey, which could include young professional and international co-op experiences, and with reasonable quotas for each category.**

The Committee strongly believes **that building and promoting a "Canada Brand" would raise Canada's profile in Turkey.** In defining the best that Canada has to offer and differentiating Canada from its competitors in all sectors, a "Canada Brand" would serve as an important strategy for Canada beyond the promotion of trade relations. **Education stands out as a key element of how Canada can brand itself and the Canadian advantage in the innovation and technology sectors. Such a strategy should be urgently implemented in Turkey.** The Committee recommends that **the Government of Canada develop a foreign policy strategy that features a Canada Brand and profiles Canada's advantages, notably in technology and education.**

Despite efforts to enhance its research and development capacity and its significant investments in information and communication technology, Turkey's needs are not being met as quickly as necessary to facilitate the country's economic agenda and develop stronger commercial growth. Accordingly, opportunities exist for deepening Canada's commercial relations with Turkey by way of partnerships to transfer knowledge and to strengthen Turkey's technological capacity in those sectors where Canada is a world leader. Given the additional value of such partnerships for

building mutual awareness and understanding, the Committee recommends that **the Government of Canada consider memoranda of understanding with the Government of the Republic of Turkey in the areas of science and technology, mining and energy.**

Whether it is about resolving the conflict in Syria, encouraging the normalization of relations with Israel, persuading Iran's cooperation with the International Atomic Energy Agency (IAEA) regarding its nuclear program, or promoting Egypt's economic development with youth employment programs and job training projects, Canada and Turkey have many overlapping interests in the region. Moreover, common engagement concerning Iraq may be facilitated with the opening of Canada's mission in Baghdad. **Given the strong overlap of regional priorities, the Committee encourages the Government of Canada to find opportunities whereby Canada and Turkey can intensify the joint pursuit of their common interests,** particularly as dynamics in the region change as they so often do.

**Turkey's significant accomplishments over the last two decades should be commended. However, the Committee also notes the important internal tensions that Turkey must continue to address as it progresses on the path of modernization, economic growth and a growing middle class.**

As the Committee's previous studies on Brazil, Russia, India and China have collectively emphasized, in a world of rapidly changing dynamics, creative thinking and multi-level approaches are key differentiators. Commercial diplomacy is essential, but insufficient in and of itself. A truly coordinated foreign policy, involving expertise in Canada's private, public and civil society sectors, is critical towards the establishment of lasting bilateral relationships. As highlighted in this report, Turkey is no exception to this rule. As Canada continues in its efforts to seize new opportunities in a changing world, a durable and trusting relationship with Turkey fits squarely within our regional, global and domestic interests.





## RECOMMENDATIONS

### RECOMMENDATION 1

**That the Government of Canada maintain consistent engagement with the Government of the Republic of Turkey at the highest political levels in order to develop a new and more significant bilateral relationship.**

### RECOMMENDATION 2

**That the Government of Canada identify Turkey as a strategic commercial priority and accelerate negotiations with the Government of the Republic of Turkey for a free trade agreement.**

### RECOMMENDATION 3

**That the Government of Canada facilitate partnerships between Turkish and Canadian businesses, including innovative financing collaborations in third countries.**

### RECOMMENDATION 4

**That the Government of Canada undertake to enter into a youth mobility agreement with the Government of the Republic of Turkey, which could include young professional and international co-op experiences, and with reasonable quotas for each category.**

### RECOMMENDATION 5

**That the Government of Canada develop a foreign policy strategy that features a Canada Brand and profiles Canada's advantages, notably in technology and education.**

## **RECOMMENDATION 6**

**That the Government of Canada consider memoranda of understanding with the Government of the Republic of Turkey in the areas of science and technology, mining and energy.**

# MAP OF TURKEY





*Turkey, at the same time as it is having significant internal growth, partially because of its geopolitical positioning, recognizes that it has a very sizable opportunity to really connect as it used to many, many hundreds or thousands of years ago to Europe and Asia and North Africa. I think that there is an evolution not only in terms of the growth inside of the market but also in the role they see themselves playing internationally. ... [N]ew embassies are open. There is an effort to put a little bit of a Turkish stamp on the regions surrounding the country but also to have a much more open worldview than probably has been the case for many years. Part of that is a role that the current government has played. Part of it is driven by the growth in the younger population, who are looking for something a bit different and looking to be a bit more of a world player in many respects. It is partially cultural, partially economic and partially political influence that is changing over time.<sup>1</sup>*

*- Export Development Canada*

*When we look at that region of relative, almost-disastrous neighbours, Turkey's position today is one that gives Canada a very significant opportunity to help to shape a region that will be both politically and economically important to our country.<sup>2</sup>*

*- Murad Al-Katib*

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<sup>1</sup> Export Development Canada (EDC), 41:1, Issue no. 17, p. 43.

<sup>2</sup> Murad Al-Katib, 41:1, Issue no. 23, p. 38.



## INTRODUCTION

In this report, the Standing Senate Committee on Foreign Affairs and International Trade (“the Committee”) presents its findings on the economic and political developments in Turkey and the implications and opportunities for Canada. Although the two countries already collaborate as long-standing allies in the North Atlantic Treaty Organization (NATO) and cooperate in various other multilateral fora, the Committee sought to consider whether and how Canada should strengthen its bilateral relationship with Turkey, a country that is experiencing impressive economic growth, diversifying into new markets and pursuing an ambitious foreign policy, and what advantages would be gained in doing so. As it took stock of the potential strengths and commercial opportunities that Turkey has to offer, the Committee’s instincts were confirmed: Canada should strengthen its relationship with Turkey. This report identifies those areas where increased bilateral engagement could be in both countries’ interests.

Over the last several years, the Committee has been studying the shift in global political and economic dynamics, the emergence of new players and relationships, and their impact on Canadian interests and opportunities.<sup>3</sup> In this context, the value and timeliness of a study on Turkey became apparent as the country’s ubiquity and increasing influence figured prominently among significant political and economic developments and emerging global dynamics. Compared with the message that Canada has a lot of ground to make up in order to seize opportunities with Russia, China, India and Brazil, the Committee heard that Canada is not too late to capitalize on the opportunities that Turkey presents.

This report represents the Committee’s findings on the advantages and strengths of the relationship between Canada and Turkey. It offers six recommendations to the Government of Canada that focus on ways to deepen political engagement and enhance commercial diplomacy in order to renew relations between Canada and Turkey. Turkish officials and businesses interested in better understanding what Canada has to offer might also find the report’s findings insightful. In addition to offering recommendations, the report highlights important and evolving considerations for Canada to take into account when engaging with Turkey.

The Committee began its study in November 2012. Since then, it has held 14 hearings in Ottawa and heard from over 21 witnesses. The Committee also undertook a fact-finding mission to Istanbul and Ankara from 18-22 March 2013 for five days of meetings with over 30 interlocutors to discuss Canada-Turkey relations. In sum, the Committee has gained valuable insight regarding Turkey’s strengths and weaknesses, its priorities, and opportunities for strengthening Canada-

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<sup>3</sup> Standing Senate Committee on Foreign Affairs and International Trade (SCFAIT), [Intensifying Strategic Partnerships with the New Brazil](#), May 2012; SCFAIT, [Seizing Opportunities for Canadians: India's Growth and Canada's Future Prosperity](#), December 2010; SCFAIT, [A Workplan for Canada in the New Global Economy: Responding to the Rise of Russia, India and China](#), June 2010.

Turkey relations. The Committee heard a range of perspectives, including those by the Turkish Minister of Trade and Customs; the Turkish Deputy Ministers of Energy and Natural Resources, and Education; high level officials from Foreign Affairs and International Trade Canada (DFAIT), Turkey's Ministry of Foreign Affairs and its international development agency, TIKA; the Deputy Governor of Istanbul; members of the diplomatic community, the International Monetary Fund (IMF) representative in Turkey; Turkish parliamentarians and opposition parties; numerous business and industry associations; representatives of Canadian companies in Turkey; independent analysts and journalists; think-tanks and non-governmental organizations.

That the Committee's study was on the right track was reinforced by the very positive reception received from the Committee's interlocutors and to requests for meetings during the fact-finding mission. Many Turkish officials emphasized the positive aspects of Canada-Turkey relations and their commitment to strengthening them. Indeed, some interlocutors demonstrated how important they considered the meetings and discussions to be by travelling extremely long distances and interrupting the spring holiday celebration observed by some of them explicitly to keep appointments with the Committee.

The fact-finding mission was also very fortuitous in its timing, given that significant developments took place during the visit. These events included the announcement of a cease-fire agreement by the Kurdistan Workers' Party (PKK), with whom Turkey has been involved in a thirty-year long armed struggle and a tentative rapprochement between Turkey and Israel over the Mavi Marmara incident during which eight Turkish nationals were killed while delivering assistance to Gaza. These announcements and the visit by delegates of the International Olympic Committee (IOC) to assess Istanbul's bid to host the 2020 Olympic Games reinforce the significant role that Turkey plays in regional and global affairs.

The report begins with a summary of Turkey's renewal, with a particular emphasis on its domestic and foreign policy developments, before turning to an overview of the country's commercial advantages. The next section outlines the steps that should be taken in order to enhance Canada-Turkey commercial engagement before offering concluding remarks about the future of Canada's relations with Turkey.

## **I. TURKEY'S RENEWAL**

Without a doubt Turkey is a country on the move. Similar to Mustafa Kemal Atatürk's creation of a new state in 1923, Turkey today is at an important turning point in its modernization. As the Committee heard during its hearings in Ottawa and its fact-finding mission, Turkey has experienced a radical transformation over the last two decades in its political and economic



make-up that has led to a period of political stability, enviable economic growth, and ambitious foreign policy aspirations.<sup>4</sup>

Indeed, Turkey's economy has shown growth impressive by any measure, making it the 17th largest in the world, among the biggest in Europe, and one of the fastest growing in the world.<sup>5</sup> According to the Committee's witnesses, Turkey's gross domestic product (GDP) increased 2.5 times over the past ten years, or on average 5.1% annually, growing by 9% in 2010 and 8.5% in 2011.<sup>6</sup> Moreover, Turkey's nominal GDP levels increased a "staggering 220 per cent" from 2002 to 2011, tripling from US\$231 billion to US\$770 billion.<sup>7</sup> Its nominal GDP in 2012 is estimated at US\$783 billion.<sup>8</sup> In this context, Turkey's GDP per capita has "soared to slightly over \$10,000 [in 2011] from \$3,500 in 2002."<sup>9</sup>

The increase in Turkey's inbound foreign direct investment (FDI) is emblematic of the country's economic success.<sup>10</sup> According to the Investment Support and Promotion Agency of Turkey (ISPAT), since 2003, Turkey has attracted a total of approximately US\$123 billion in FDI, compared to US\$1-2 billion annually before 2005 and US\$15 billion in the eight years before 2003.<sup>11</sup> In 2011, it received US\$16.1 billion in FDI.<sup>12</sup> A representative from the Turkish-Canadian Chamber of Commerce (TCCC) told the Committee that Turkey is ranked the 13<sup>th</sup> most attractive destination for FDI in the world and 9<sup>th</sup> among emerging countries.<sup>13</sup> In this respect, the number of foreign capital companies in Turkey rose from 5,600 in the years preceding 2003 to more than 33,000 since.<sup>14</sup>

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<sup>4</sup> Howard Eissenstat, 41:1, Issue no. 20, p. 48; Foreign Affairs and International Trade Canada (DFAIT), 41:1, Issue no. 17, p. 10; Confederation of Businessmen and Industrialists of Turkey (TUSKON), Istanbul, Turkey, 18 March 2013.

<sup>5</sup> According to 2012 nominal GDP levels in US dollars. International Monetary Fund (IMF), [World Economic Outlook Database](#), April 2013. According to GDP at purchasing power parity (PPP), in 2012, Turkey ranked 16<sup>th</sup> among the largest economies in the world. IMF, [World Economic Outlook Database](#), April 2013. Turkish-Canadian Chamber of Commerce (TCCC), 41:1, Issue no. 21, p. 6; Canadian-Turkish Business Council (CTBC), 41:1, Issue no. 17, p. 52; EDC, 41:1, Issue no. 17, p. 34; Orhan Erdem, Deputy Minister of National Education, Ankara, Turkey, 21 March 2013.

<sup>6</sup> DFAIT, 41:1, Issue no. 17, p. 10; TCCC, 41:1, Issue no. 21, pp. 5, 6, 24; CTBC, 41:1, Issue no. 17, p. 52; Ahmet T. Kuru, 41:1, Issue no. 20, p. 36; Foreign Investors Association of Turkey (YASED), Istanbul, Turkey, 19 March 2013.

<sup>7</sup> Al-Katib, 41:1, Issue no. 23, p. 30; TCCC, 41:1, Issue no. 21, p. 6; YASED, Istanbul, Turkey, 19 March 2013.

<sup>8</sup> Al-Katib, 41:1, Issue no. 23, p. 30; IMF Representative in Turkey, Ankara, Turkey, 21 March 2013. According to the Istanbul Chamber of Commerce, Turkey's 2012 GDP is estimated at US\$847 billion. Istanbul Chamber of Commerce (ICC), Istanbul, Turkey, 19 March 2013.

<sup>9</sup> TCCC, 41:1, Issue no. 21, p. 6; Kuru, 41:1, Issue no. 20, p. 36; IMF Representative in Turkey, Ankara, Turkey, 21 March 2013; YASED, Istanbul, Turkey, 19 March 2013.

<sup>10</sup> TCCC, 41:1, Issue no. 21, p. 23. Turkish Canadian Business Council of the Foreign Economic Relations Board of Turkey (DEIK), Istanbul, Turkey, 19 March 2013.

<sup>11</sup> Murat Özdemir, Investment Support and Promotion Agency of Turkey (ISPAT), 41:1, Issue no. 24, p. 10; ISPAT, Istanbul, Turkey, 18 March 2013.

<sup>12</sup> YASED, Istanbul, Turkey, 19 March 2013.

<sup>13</sup> TCCC, 41:1, Issue no. 21, p. 6.

<sup>14</sup> Özdemir, 41:1, Issue no. 24, p. 10.

Turkey's trade figures also have been improving impressively. During its fact-finding mission, the Committee heard from various business associations that, over the last decade, Turkey's foreign trade volume nearly doubled to US\$389 billion, representing 50% of its GDP.<sup>15</sup> Notably, exports increased 600% from US\$36 billion in 2002 to US\$152 billion in 2012.<sup>16</sup>

Turkey's renewal and economic growth is largely attributable to the reforms the country has undertaken to comply with the European Union's (EU) *Acquis communautaire*, or laws and standards, as a condition of its accession to this unique political and economic union.<sup>17</sup> In complying with these standards, Turkey is liberalising its economy and gaining a valuable underpinning for its continued economic prosperity and ambitions.<sup>18</sup> As Ozan Isinak, Chief Executive Officer of Emerging Markets Capital Advisory, testified,

[T]he fact that we are aligning all of the laws and regulations to EU law says that we are actually normalizing with them, so we will get a tremendous amount of value. Yes, the EU is a driving force in Turkey, and has always been, to push through the reforms. As the middle class grows, they realize the value of normalizing their laws, regulations, et cetera, to international standards.<sup>19</sup>

Turkey's Minister of Trade and Customs highlighted for the Committee during its visit to Ankara the government's ambitious economic goal of becoming one of the ten largest economies in the world by 2023.<sup>20</sup> Having recovered from the worst of the global financial crisis better than many of its peers,<sup>21</sup> Murat Özdemir from ISPAT told the Committee that the Organisation for Economic Cooperation and Development (OECD) predicts Turkey to be the fastest-growing economy in the next decade, and that Goldman Sachs projects Turkey to be the ninth largest economy in the world, and third in Europe, by 2050.<sup>22</sup> The Economist Intelligence Unit has forecast Turkey's rate of GDP growth to increase from 2.2% in 2012 to 3.5% in 2013 and 5% in 2014.<sup>23</sup> Indeed, in the context of the economic and financial troubles facing Europe and other

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<sup>15</sup> ICC, Istanbul, Turkey, 19 March 2013; YASED, Istanbul, Turkey, 19 March 2013; Turkish Statistical Institute (TURKSTAT), *Foreign Trade Statistics, Indicators*, 2012.

<sup>16</sup> Kuru, 41:1, Issue no. 20, pp. 36-37; TCCC, 41:1, Issue no. 21, p. 6.

<sup>17</sup> Eissenstat, 41:1, Issue no. 20, p. 51; Emiliano Alessandri, 41:1, Issue no. 20, p. 16; National Democratic Institute (NDI), Ankara, Turkey, 20 March 2013; Robert O'Daly, 41:1, Issue no. 17, p. 67; Ozan Isinak, 41:1, Issue no. 22, p. 13; Gönül Tol, 41:1, Issue no. 24, pp. 12, 16-17.

<sup>18</sup> DFAIT, 41:1, Issue no. 17, p. 28; EDC, 41:1, Issue no. 17, p. 34; NDI, Ankara, Turkey, 20 March 2013.

<sup>19</sup> Isinak, 41:1, Issue no. 22, p. 13.

<sup>20</sup> Isinak, 41:1, Issue no. 22, p. 7.

<sup>21</sup> CTBC, 41:1, Issue no. 17, p. 52; O'Daly, 41:1, Issue no. 17, pp. 62-63; TCCC, 41:1, Issue no. 21, pp. 6, 24.

<sup>22</sup> Özdemir, 41:1, Issue no. 24, p. 11.

<sup>23</sup> EIU, "Country Report: Turkey," 20 April 2013. The IMF has forecast the same figures. IMF Representative in Turkey, Ankara, Turkey, 21 March 2013. YASED and the Istanbul Chamber of Commerce estimated Turkey's economy would grow 4% in 2013. YASED, Istanbul, Turkey, 19 March 2013; ICC, Istanbul, Turkey, 19 March 2013. Turkey's Minister of Trade and Customs estimated that Turkey's economy would grow 3.2% in 2012. H.E. Hayati Yazıcı, Minister of Trade and Customs, Ankara, Turkey, 21 March 2013.

developed and emerging countries, Turkey's current and forecasted growth rates figure prominently and capture the Committee's attention.<sup>24</sup>

As some witnesses suggested to the Committee, a consensus is emerging about the Turkish government's priorities regarding economic management, prosperity and growth.<sup>25</sup> According to Henri Barkey from Lehigh University, "After more than 10 years of actually fairly good economic stewardship, this is a country that has now settled. I think it is not going to go south economically."<sup>26</sup> Indeed, witnesses remarked that with respect to its economy, Turkey was "going in the right direction."<sup>27</sup>

## A. Turkey as a Model

With its renewal, political stability and impressive economic growth, Turkey was frequently referred to by witnesses as an inspiration for other countries in the region that may not be as democratic or prosperous.<sup>28</sup> Murad Al-Katib referred to Turkey as a "jewel in the middle of a very difficult environment."<sup>29</sup> This view of Turkey as a model has gained particular prominence as many of the countries who experienced the Arab Spring strengthen their political systems and civil societies, and struggle with the role of their militaries in politics. As an indication of Turkey's favourable comparison, the Committee was pleased to have met during its fact-finding mission to Turkey with two key opposition parties, the Republican People's Party (CHP) and the Peace and Democracy Party (BDP), and with representatives of several high-profile non-governmental institutions and think-tanks to discuss their views on Turkey's priorities and challenges.<sup>30</sup> According to Howard Eissenstat from St. Lawrence University, "[T]oday there is a general assumption in Turkey that power is gained only through democratic elections. In this region it is worth noting that there is a consensus on democracy in Turkey."<sup>31</sup>

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<sup>24</sup> IMF Representative in Turkey, Ankara, Turkey, 21 March 2013.

<sup>25</sup> Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; O'Daly, 41:1, Issue no. 17, pp. 74-75; Alessandri, 41:1, Issue no. 20, pp. 14-15.

<sup>26</sup> Henri Barkey, 41:1, Issue no. 20, p. 28.

<sup>27</sup> Isinak, 41:1, Issue no. 22, p. 9; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013.

<sup>28</sup> Kuru, 41:1, Issue no. 20, pp. 35-36; Meliha Benli Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; ISPAT, Istanbul, Turkey, 18 March 2013; DFAIT, 41:1, Issue no. 17, pp. 8, 9, 18; Eissenstat, 41:1, Issue no. 20, p. 48; Alessandri, 41:1, Issue no. 20, pp. 7, 9; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013; Feray Salman, Human Rights Joint Platform, Ankara, Turkey, 20 March 2013; Nur Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; NDI, Ankara, Turkey, 20 March 2013.

<sup>29</sup> Al-Katib, 41:1, Issue no. 23, p. 36.

<sup>30</sup> Roundtable with journalists and non-governmental organizations, Istanbul, Turkey, 19 March 2013; Roundtable with journalists and non-governmental organizations, Ankara, Turkey, 20 March 2013; Roundtable with analysts and journalists, Ankara, Turkey, 21 March 2013; Kemal Kılıçdaroğlu, Chairman of the Republican People's Party (CHP), Ankara, Turkey, 22 March 2013; Nazmi Gür, Deputy Co-Chair, Peace and Democracy Party (BDP), Ankara, Turkey, 22 March 2013.

<sup>31</sup> Eissenstat, 41:1, Issue no. 20, p. 48.

Witnesses noted several highlights about Turkey's democratic framework.<sup>32</sup> Among these, the subordination of the Turkish military – NATO's second largest – to civilian rule drew particular attention.<sup>33</sup> In this respect, Turkey's success in "defanging"<sup>34</sup> the military of its political influence has improved the quality of its civilian oversight to NATO and EU standards.<sup>35</sup> As the Committee heard during its hearings, following a last failed attempt by the military to influence the political establishment in 2007,<sup>36</sup> "the military is now largely in their barracks"<sup>37</sup> and "out of the picture."<sup>38</sup> According to witnesses, there is "no going back" to a militarized political system in Turkey.<sup>39</sup>

## B. Current Issues and Areas of Concern

The Committee heard during its meetings and fact-finding mission that Turkey's continued renewal will be affected in large part by its management of several high-profile issues. These issues include reforming its "military-inscribed"<sup>40</sup> constitution and reconciling with the Kurdistan Workers' Party (PKK) over the place of the 14 million members of the Kurdish minority in Turkey.<sup>41</sup> As witnesses told the Committee, the linkages between these two processes have made them that much more complicated to address, yet expectations and stakes for their management are high.<sup>42</sup> While a new constitution would address many issues required of a modernising Turkey, constitutional accommodation of the Kurdish minority in particular would continue the significant overtures that have been made by both sides to end the thirty year conflict.<sup>43</sup> The Committee was in Ankara when the PKK announced a cease-fire and withdrawal,

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<sup>32</sup> Eissenstat, 41:1, Issue no. 20, pp. 49, 53, 57; O'Daly, 41:1, Issue no. 17, p. 62; Alessandri, 41:1, Issue no. 20, pp. 9, 17, 19; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; Kuru, 41:1, Issue no. 20, pp. 36, 41-42, 47; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; DFAIT, 41:1, Issue no. 17, pp. 17-18.

<sup>33</sup> Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; Kuru, 41:1, Issue no. 20, pp. 36, 41-42, 47; Allesandri, pp. 9, 17; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; DFAIT, 41:1, Issue no. 17, pp. 17-18; O'Daly, 41:1, Issue no. 17, p. 62; Tol, 41:1, Issue no. 24, p. 17.

<sup>34</sup> Barkey, 41:1, Issue no. 20, p. 30.

<sup>35</sup> Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; Kuru, 41:1, Issue no. 20, pp. 36, 41-42, 47; Allesandri, pp. 9, 17; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; DFAIT, 41:1, Issue no. 17, pp. 17-18; O'Daly, 41:1, Issue no. 17, p. 62.

<sup>36</sup> DFAIT, 41:1, Issue no. 17, pp. 17-18; Barkey, 41:1, Issue no. 20, p. 30.

<sup>37</sup> Alessandri, 41:1, Issue no. 20, p. 17.

<sup>38</sup> Barkey, 41:1, Issue no. 20, p. 30.

<sup>39</sup> Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>40</sup> O'Daly, 41:1, Issue no. 17, p. 64.

<sup>41</sup> Kuru, 41:1, Issue no. 20, p. 36; Alessandri, 41:1, Issue no. 20, pp. 17-20; O'Daly, 41:1, Issue no. 17, p. 64; NDI, Ankara, Turkey, 20 March 2013; Barkey, 41:1, Issue no. 20, p. 24; DFAIT, 41:1, Issue no. 17, p. 10; Eissenstat, 41:1, Issue no. 20, p. 53; Tol, 41:1, Issue no. 24, pp. 5-6.

<sup>42</sup> BDP, Ankara, Turkey, 22 March 2013; Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; O'Daly, 41:1, Issue no. 17, p. 73; Tol, 41:1, Issue no. 24, pp. 5-6.

<sup>43</sup> Kuru, 41:1, Issue no. 20, p. 36; Tol, 41:1, Issue no. 24, pp. 5-6.

and, the very next day, heard directly from representatives of the BDP on the announcement's significance for sustaining the reconciliation's positive momentum.<sup>44</sup>

Of particular concern, witnesses pointed to the detention and imprisonment of thousands of Turks, including journalists, under anti-terrorism and other legislation as troubling signs that freedoms of expression and the media in Turkey are being repressed.<sup>45</sup> They explained that such repression – or “silence” according to Robert O’Daly from the Economist Intelligence Unit – is in large part due to the government’s growing intolerance of criticism and dissent.<sup>46</sup> In addition, more companies with close ties to the government have become media owners, leaving them sensitive to the government’s preferences. Indeed, Turkey has been criticized widely in the Western media, by Western governments and in numerous international human rights reports for violating these freedoms.<sup>47</sup> Feray Salman from the Human Rights Joint Platform cited the Organization for Security and Cooperation in Europe’s Representative on Freedom of the Media in noting that over seventy journalists are in prison in Turkey - the highest number in the world.<sup>48</sup> In such a repressive atmosphere, the Committee heard that journalists are self-censoring their work, voluntarily leaving their positions, or being fired.<sup>49</sup>

Such repression and intolerance of difference, according to witnesses, is largely a function of one individual dominating Turkey’s political framework and identifying so closely with its vision.<sup>50</sup> In this respect, some witnesses regarded the proposal to change Turkey from a parliamentary form of government to a presidential one, whereby executive power would be held by the president, as an effort to concentrate formally authority in one individual.<sup>51</sup> As Ahmet Kuru from the Brookings Doha Centre noted, “[T]here are many opponents of the presidential system because they are concerned about Prime Minister Recep Tayyip Erdoğan’s personal leadership

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<sup>44</sup> BDP, Ankara, Turkey, 22 March 2013.

<sup>45</sup> Roundtable with journalists and non-governmental organizations, Istanbul, 19 March 2013; Roundtable with journalists and non-governmental organizations, Ankara, 20 March 2013; Roundtable with analysts and journalists, Ankara, Turkey, 21 March 2013; Tol, 41:1, Issue no. 24, pp. 12, 17; Eissenstat, 41:1, Issue no. 20, pp. 49-50.

<sup>46</sup> O’Daly, 41:1, Issue no. 17, p. 66; Eissenstat, 41:1, Issue no. 20, pp. 49-50; Roundtable with journalists and non-governmental organizations, Istanbul, 19 March 2013; Roundtable with journalists and non-governmental organizations, Ankara, 20 March 2013; Roundtable with analysts and journalists, Ankara, Turkey, 21 March 2013.

<sup>47</sup> O’Daly, 41:1, Issue no. 17, p. 66; Alessandri, 41:1, Issue no. 20, pp. 17, 18; Eissenstat, 41:1, Issue no. 20, p. 51. See also: Parliamentary Assembly of the Council of Europe [PACE], “The State of Media Reform in Europe,” 2 October 2012; William Horsley, “Background report, The State of Media Freedom in Europe,” Committee on Culture, Science, Education and Media, Parliamentary Assembly of the Council of Europe, June 2012; Thomas Hammarberg, Commissioner for Human Rights of the Council of Europe, “Freedom of Expression and Media Freedom in Turkey,” July 2011.

<sup>48</sup> Salman, Human Rights Joint Platform, Ankara, Turkey, 20 March 2013; Office of the OSCE [Organization for Security and Cooperation in Europe] Representative on Freedom of the Media, [Updated List of Imprisoned Journalists in Turkey Including Recent Releases, 2 August 2012](#).

<sup>49</sup> O’Daly, 41:1, Issue no. 17, p. 66; Alessandri, 41:1, Issue no. 20, p. 17; Semih Idiz, Taraf Newspaper, Ankara, Turkey, 21 March 2013.

<sup>50</sup> Ertugrul Özkök, Hürriyet, Istanbul, Turkey, 19 March 2013; Kuru, 41:1, Issue no. 20, p. 37; O’Daly, 41:1, Issue no. 17, pp. 64, 73; Alessandri, 41:1, Issue no. 20, pp. 15-16; Tol, 41:1, Issue no. 24, p. 17.

<sup>51</sup> O’Daly, 41:1, Issue no. 17, p. 64.

charisma, that he is a bit too dominant.”<sup>52</sup> Howard Eissenstat was equally concerned about the emergence of “effectively a democratically-elected single party state.”<sup>53</sup> Other witnesses pointed to the growing overlap of party and bureaucratic interests and to self-serving reforms of the constitution as evidence that the new establishment, “which has become as strong, if not stronger, than the old Kemalist secularist establishment,” is consolidating power and perpetuating its hegemony.<sup>54</sup> Emiliano Alessandri from the German Marshall Fund testified,

There are tendencies in the country, within the ruling elite, that speak for giving more power to the president. It is unclear whether these plans will be fulfilled, but, if they will be fulfilled and pursued, Turkey will become a less democratic country, a country with even weaker checks and balances. Which way Turkey will go remains very undecided.<sup>55</sup>

**Turkey’s significant accomplishments over the last two decades should be commended. However, the Committee also notes the important internal tensions that Turkey must continue to address as it progresses on the path of modernization, economic growth and a growing middle class.**

### C. Foreign Policy Aspirations

Turkey’s aspiration for global and regional influence is an important feature of its renewal.<sup>56</sup> In enhancing its influence, Ömer Önhon, Deputy Undersecretary, Ministry of Foreign Affairs, remarked that Turkey is simply taking advantage of the opportunities arising from a changing world.<sup>57</sup> In this respect, Turkey’s Western ties and membership in the United Nations (UN), the G-20, the World Trade Organization (WTO), OECD, and Organization of Islamic Cooperation (OIC) among others, as well as its political and economic achievements, are the “platforms” from which it seeks to “tak[e] its place on the world economic and diplomatic stage.”<sup>58</sup> Its efforts to “move from the periphery to the centre of world events”<sup>59</sup> are also evident in its attempts to mediate nuclear issues concerning North Korea and Iran, its campaign for a non-permanent seat on the UN Security Council (the second since 2009-10), and its establishment with Spain of the UN Alliance of Civilizations.<sup>60</sup> Turkey has deepened cooperation on common global and bilateral political, economic and security concerns with other countries, such as Brazil and

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<sup>52</sup> Kuru, 41:1, Issue no. 20, p. 37.

<sup>53</sup> Eissenstat, 41:1, Issue no. 20, p. 53.

<sup>54</sup> Alessandri, 41:1, Issue no. 20, pp. 15-16; Eissenstat, 41:1, Issue no. 20, p. 53.

<sup>55</sup> Alessandri, 41:1, Issue no. 20, p. 9.

<sup>56</sup> O’Daly, 41:1, Issue no. 17, p. 65; Barkey, 41:1, Issue no. 20, p. 22; Ömer Önhon, Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013.

<sup>57</sup> Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013.

<sup>58</sup> Barkey, 41:1, Issue no. 20, pp. 22, 26; Kuru, 41:1, Issue no. 20, p. 40; DFAIT, 41:1, Issue no. 17, p. 8.

<sup>59</sup> Eissenstat, 41:1, Issue no. 20, p. 48.

<sup>60</sup> Barkey, 41:1, Issue no. 20, pp. 22, 27. See also [United Nations Alliance of Civilizations](#). The mandate of the UN Alliance of Civilizations (UNAOC) is to promote “mutual respect among peoples of different cultural and religious traditions.” UNAOC, [Report of the High Level Group - 13 November 2006](#), New York, 2006, p. 4.

Russia, with fast growing economies.<sup>61</sup> At the same time, it is establishing ties with key organizations for these countries, such as the Shanghai Cooperation Organisation and MERCOSUR.<sup>62</sup> With its observer status in the African Union and the recent agreement with a Japanese consortium to build the country's second nuclear power station, Turkey's reach has been felt as far as Africa, South America and Asia.<sup>63</sup>

## 1. Turkish Airlines and Turkey's Foreign Policy

The Committee was particularly intrigued with the prominence of Turkish Airlines in Turkey's political and economic ascendance.<sup>64</sup> Among the world's top airlines with over 200 destinations in 99 countries, Turkish Airlines is a potent symbol of the country's success and future potential.<sup>65</sup> That its network aligns with the government's foreign policy ambitions suggests that more than a good business strategy is at play. In this respect, the Turkish government's involvement in the company, which, as the Committee was informed, includes ownership of shares and financial support, is an indication of interlinking and mutually beneficial interests. That not much more is known about the relationship, which is nearly unlike any other between a government and an airline, added to the Committee's interest about the role Turkish Airlines plays in advancing Turkey's political and economic ambitions.

## 2. Turkey's Official Development Assistance (ODA)

Established in 1992, Turkey's ODA program has benefitted from the country's economic growth to evolve into an important tool for developing regional and global ties and influence.<sup>66</sup> Accordingly, the Turkish International Cooperation and Development Agency (TIKA) has established 34 offices in 31 different countries and expanded ODA programming beyond its initial focus on Central Asia to over 100 countries in the Middle East, southeastern Europe, Africa, and Asia.<sup>67</sup> The scope and number of its projects, which focus on such priorities as education, agriculture, health, social structure, security sector reform, and vocational training and

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<sup>61</sup> DFAIT, 41:1, Issue no. 17, pp. 26-27; Özdemir, 41:1, Issue no. 24, p. 26.

<sup>62</sup> Mercado Común del Sur (MERCOSUR) was established in 1991 and comprises Brazil, Argentina, Paraguay, Uruguay and Venezuela. Bolivia's accession awaits ratification by the five member countries. On 22 June 2012, Paraguay was temporarily suspended from MERCOSUR following the criticized dismissal of its president Fernando Lugo; that suspension is still in effect. MERCOSUR's objective is to facilitate the free movement of goods, services, capital and people among the member countries.

<sup>63</sup> Republic of Turkey, Ministry of Foreign Affairs, [Turkey and the African Union](#); ["Japanese consortium set for Turkish nuclear power deal."](#) *Financial Times*, 2 May 2013.

<sup>64</sup> Kuru, 41:1, Issue no. 20, p. 40; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Alessandri, 41:1, Issue no. 20, p. 11.

<sup>65</sup> Suat Kiniklioğlu, STRATIM, Ankara, Turkey, 21 March 2013; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; Canadian Consulate, Istanbul, Turkey, 18 March 2013; Al-Katib, 41:1, Issue no. 23, p. 31; Turkish Airlines, ["Turkish Airlines continues to expand network."](#) News release, 25 April 2013.

<sup>66</sup> Kuru, 41:1, Issue no. 20, p. 45; Mehmet Süreyya Er, Deputy Chairman, Turkish International Cooperation and Development Agency (TIKA), Ankara, Turkey, 22 March 2013.

<sup>67</sup> TIKA, Ankara, Turkey, 22 March 2013; Minister of Trade and Customs, Ankara, Turkey, 21 March 2013.

development, have also grown since its first decade of providing assistance.<sup>68</sup> TIKA's ODA budget has also increased significantly, from US\$86 million in 2002 to US\$1.3 billion in 2011; with the addition of other assistance funds, TIKA's total budget is US\$2.3 billion.<sup>69</sup>

### 3. Regional Priorities and Issues

Turkey's renewal, however, has not been without its challenges. As Henri Barkey testified, "Now they find themselves in a situation where zero problems they had with neighbours' policies has turned out to be lots of problems with everybody, just about."<sup>70</sup> These issues, many of which are of global significance, have had implications for Turkey's ambition to promote regional stability in order to build economic relationships and cultivate greater mutual prosperity.<sup>71</sup>

#### a. The Syrian Crisis

Turkey's regional challenges in particular concern the on-going violence between the Syrian regime and opposition forces.<sup>72</sup> The conflict, in which the Turkish government is strongly supporting the opposition, has seen several Syrian military air strikes land in Turkey and over 300,000 refugees relocate to the country.<sup>73</sup> According to Robert O'Daly, "It looks like tensions will escalate rather than decline. ... [I]f it does not end soon, Turkey will find itself in an extremely difficult position."<sup>74</sup> In this respect, Turkey's capacity to support the refugees (witnesses referred to conditions in the refugee camps as being at a "gold standard"<sup>75</sup>) might be strained as their numbers increase, as they are expected to, to over 500,000 by the end of 2013.<sup>76</sup> As Robert O'Daly continued, "It is a major source of concern to the government, because at some point harbouring that many refugees becomes financially and, from a humanitarian point of

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<sup>68</sup> TIKA, Ankara, Turkey, 22 March 2013.

<sup>69</sup> TIKA, Ankara, Turkey, 22 March 2013.

<sup>70</sup> Barkey, 41:1, Issue no. 20, p. 23; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013; Idiz, Taraf Newspaper, Ankara, Turkey, 21 March 2013. See also Barkey, 41:1, Issue no. 20, pp. 22, 26; DFAIT, 41:1, Issue no. 17, p. 13; TCCC, 41:1, Issue no. 21, p. 13.

<sup>71</sup> DFAIT, 41:1, Issue no. 17, p. 18; Barkey, 41:1, Issue no. 20, pp. 23-24, 26.

<sup>72</sup> Alessandri, 41:1, Issue no. 20, p. 13; Volkan Bozkır, Chairman of the Foreign Affairs Committee, Ankara, Turkey, 21 March 2013; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; Tol, 41:1, Issue no. 24, pp. 6-7.

<sup>73</sup> As of May 2013, according to the Office of the United Nations High Commissioner for Refugees (UNHCR), there are approximately 350,000 Syrian refugees registered in Turkey, including 195,000 in refugee camps; 127,000 registered outside the camps, and 30,000 with registration appointments. According to UNHCR data, including the 488,000 in Lebanon and 486,000 in Jordan, there are approximately 1,560,000 Syrian refugees in the region. UNHCR Turkey, [Turkey Syrian Refugee Daily Sitrep \[Situation Report\]](#), Ankara, 24 May 2013; UNHCR, [Syrian Regional Refugee Response](#).

<sup>74</sup> O'Daly, 41:1, Issue no. 17, p. 71.

<sup>75</sup> Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013

<sup>76</sup> UNHCR, [Turkey: 2013 UNHCR Country Operations Profile](#); DFAIT, 41:1, Issue no. 17, p. 9; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013; Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013; Eissenstat, 41:1, Issue no. 20, p. 49; Alessandri, 41:1, Issue no. 20, p. 13; Tol, 41:1, Issue no. 24, pp. 12, 22-23.



view, extremely difficult.”<sup>77</sup> Witnesses noted that pressure may mount for Turkey to agree to third country relocation.<sup>78</sup> Despite the prospect of more refugees, Ömer Önhon, Deputy Undersecretary at the Ministry of Foreign Affairs asserted that Turkey’s open door policy will not change.<sup>79</sup>

### **i. Ending the Conflict**

Given its strong support for the opposition, it follows that how long the conflict continues and how and when the crisis is resolved will have implications for Turkey. In this respect, the Committee heard during its fact-finding mission that Turkey’s hard-line stance has left it without any room to manoeuvre to resolve the conflict.<sup>80</sup> And yet, according to witnesses, 60% of the Turkish population opposes the government’s Syrian policy in part for perpetuating the crisis rather than bringing it to an end.<sup>81</sup>

However the crisis ends, witnesses pointed out that Turkey has no readily apparent policy for peace after Assad relinquishes power, calling this “short-sighted.”<sup>82</sup> Neither is Turkey prepared for a peace should Syria’s President Bashar Al-Assad successfully negotiate to remain in power. In this respect, there are “uncertainties” about how to reconstruct post-conflict Syria and Turkey’s potential role in that reconstruction.<sup>83</sup> According to Suat Kınıklıoğlu, Director of STRATIM, should the war continue yet through 2013, approximately 40% of Syria’s GDP will have been destroyed, leaving it as a “failed state” with a broken economy and political institutions.<sup>84</sup>

### **ii. Alliance Relations**

The Committee also heard from witnesses that the Syrian crisis poses some potential dilemmas among NATO alliance members. NATO’s role in the conflict has been limited to granting Turkey’s request to augment air defences along its border with Syria. Witnesses debated the significance of the deployment of the Patriot missiles for alliance relations, the possibility that Turkey may request NATO to deepen its involvement in the crisis, and the role that Article 5 of NATO’s treaty might play, whereby the alliance would respond – with force, if necessary – to a

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<sup>77</sup> O’Daly, 41:1, Issue no. 17, pp. 70-71.

<sup>78</sup> Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013.

<sup>79</sup> Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013.

<sup>80</sup> Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013; Idiz, Taraf Newspaper, Ankara, Turkey, 21 March 2013.

<sup>81</sup> Özkök, Hürriyet, Istanbul, Turkey, 19 March 2013; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, pp. 13-14.

<sup>82</sup> Hugh Pope, International Crisis Group (ICG), Istanbul, Turkey, 19 March 2013; Barkey, 41:1, Issue no. 20, pp. 24-25.

<sup>83</sup> ICG, Istanbul, Turkey, 19 March 2013.

<sup>84</sup> Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013.

military attack on one of its members.<sup>85</sup> Notably, some witnesses raised concerns about a “lack of appetite” among NATO members to undertake another operation given the alliance’s recent operation in Libya and the International Security Assistance Force (ISAF) mission in Afghanistan.<sup>86</sup>

#### **b. Relations with Israel**

The Committee heard from witnesses that, while Turkey’s commercial and military relations with Israel have been constant, even reaching a record level of trade at US\$4 billion in 2012, and Turkish Airlines has increased its flights to Israel, the political relationship has been tense in recent years.<sup>87</sup> Reasons for this tension include “the tragic outcome of the Mavi Marmara incident” in 2010 during which Israeli military action against the primarily Turkish flotilla resulted in the “loss of human life and injury.”<sup>88</sup> Matters were aggravated following remarks made by the Turkish prime minister in the context of a United Nations Alliance of Civilizations (UNAOC) meeting in late February 2013 whereby he grouped Zionism with other ideologies viewed as crimes against humanity.

However, two important developments took place in March 2013 that show promise of a normalization in their political relations. The Committee was in Ankara during its fact-finding mission when the Israeli prime minister apologized for the Mavi Marmara incident, stating that the outcome “was not intended,” and agreed to “conclude an agreement on compensation/nonliability.”<sup>89</sup> Moreover, the Turkish prime minister’s clarification in a highly regarded interview in a Danish newspaper of his remarks at the UNAOC meeting was formally acknowledged by the Israeli prime minister.<sup>90</sup> Accordingly, it appears that the “cold peace”<sup>91</sup> has taken a significant step in a warmer direction.

#### **c. Other Concerns and Challenges**

The region’s other challenges for Turkey are wide-ranging. In one respect, according to witnesses, having one of the fastest growing economies in the region, a generous visa policy and a transportation network with high-risk countries in the Middle East and Africa have made

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<sup>85</sup> O’Daly, 41:1, Issue no. 17, pp. 65, 71; Kınıklioğlu, STRATIM, Ankara, Turkey, 21 March 2013; Idiz, Taraf Newspaper, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, pp. 13-14; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013.

<sup>86</sup> Kınıklioğlu, STRATIM, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, pp. 7, 8, 10.

<sup>87</sup> Eissenstat, 41:1, Issue no. 20, p. 54; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>88</sup> Government of Israel, Prime Minister’s Office, “[PM Netanyahu Speaks with Turkish PM Erdogan.](#)” Press release, 22 March 2013.

<sup>89</sup> Government of Israel, Prime Minister’s Office, “[PM Netanyahu Speaks with Turkish PM Erdogan.](#)” Press release, 22 March 2013.

<sup>90</sup> Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013.

<sup>91</sup> Eissenstat, 41:1, Issue no. 20, p. 54.

Turkey a target for illegal migration, human trafficking, illicit trade in drugs, and other forms of international crime.<sup>92</sup>

In another, the region is facing such challenges as instability in Afghanistan, sectarian violence in Iraq, Iran's nuclear programme, uneven democratic consolidation in Egypt, and uncertain transitions in many countries following the Arab Spring uprisings.<sup>93</sup> And yet, these challenges and Turkey's potential rivalry with some of the countries for regional influence have not stopped Turkey from seeking out political and commercial engagement in the region, showing Ankara's ability to compartmentalize issues and irritants for the sake of economic gain. Turkey's reliance on Iran and Iraq in particular for its energy resources, notwithstanding Iran's support for the Syrian regime and Iraq's discontent over Turkey's strong relations with the Kurdistan Regional Government (KRG), exemplify this flexibility.<sup>94</sup>

Rather than turn away from the commercial risks resulting from these challenges, Turkey has taken advantage of them to seek out political and commercial opportunities.<sup>95</sup> As the Committee heard during its hearings and fact-finding mission, Turkey's businesses are risk takers and that much more likely to establish a commercial presence in high-risk countries than businesses from other cultures.<sup>96</sup> In one example, representatives from ISPAT noted that Turkish companies rank security in Iraq as the sixth most significant problem compared to companies from other countries which rank security first.<sup>97</sup> According to ISPAT, over one hundred Turkish companies are in Iraq.<sup>98</sup> In taking such risks in the region, Turkish businesses are pragmatically positioning themselves for the time when the region will have stabilized.<sup>99</sup>

## II. TURKEY'S COMMERCIAL ADVANTAGES

The Committee heard from witnesses that Turkey is leveraging its commercial advantages for continued economic growth and partnership opportunities. Its large territory, youthful population of approximately 75 million people, rising incomes, high consumption rates and growing middle

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<sup>92</sup> Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Canadian Consulate, Istanbul, Turkey, 18 March 2013.

<sup>93</sup> Alessandri, 41:1, Issue no. 20, p. 8; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; DFAIT, 41:1, Issue no. 17, pp. 25, 29-30; Tol, 41:1, Issue no. 24, pp. 6-7.

<sup>94</sup> DFAIT, 41:1, Issue no. 17, pp. 25, 26; O'Daly, 41:1, Issue no. 17, p. 65; Barkey, 41:1, Issue no. 20, p. 25; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, p. 8; Kuru, 41:1, Issue no. 20, p. 35.

<sup>95</sup> Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Kınıklioğlu, STRATIM, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, p. 18.

<sup>96</sup> Barkey, 41:1, Issue no. 20, p. 26; DEIK, Istanbul, Turkey, 19 March 2013; ISPAT, Istanbul, Turkey, 18 March 2013.

<sup>97</sup> ISPAT, Istanbul, Turkey, 18 March 2013.

<sup>98</sup> ISPAT, Istanbul, Turkey, 18 March 2013.

<sup>99</sup> Isinak, 41:1, Issue no. 22, p. 9.

class have combined to make it the most important market in the eastern Mediterranean region.<sup>100</sup>

Many witnesses focused on the demographic attributes that make Turkey an attractive market. Export Development Canada (EDC) noted that there “is a fundamental demographic shift in Turkey that is driving a lot of the growth that we see in their economy.”<sup>101</sup> Turkey has a “tech-savvy” population with a median age of 29 and a skilled labour force with more than 500,000 university graduates each year.<sup>102</sup>

In addition, the Committee heard that Turkey is a good place to do business, due in part to the calibre of its workers, good business management practices, and expertise and technical capacity to host foreign companies.<sup>103</sup>

Since coming to power, witnesses told the Committee that Prime Minister Erdoğan has undertaken reforms to promote strong business practices, to bring greater stability, transparency and predictability to its market, and to make the investment climate more attractive.<sup>104</sup> These reforms have included modernizing the country’s financial and banking sector and protecting the rights of investors.<sup>105</sup> In particular, Turkey’s legislative body passed the *Foreign Direct Investment Law* in 2003. This law guarantees equal treatment of all investors, protects them against expropriation and enables all international investors to enter Turkey without a preliminary authorization request, to transfer dividends freely, to access real estate and to hire expatriates.<sup>106</sup> According to ISPAT, Turkey has undertaken the second most significant reforms of restrictions on FDI among OECD countries.<sup>107</sup> Turkey also passed a new commercial code, which requires more transparency and accountability from corporations.<sup>108</sup> In addition, ISPAT said that the corporate tax rate has decreased from 33% to 20% for all companies over the past decade.<sup>109</sup>

Murad Al-Katib, the President and CEO of Alliance Grain Traders, a Canadian company that has over a decade of experience doing business in the country, described the environment in Turkey

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<sup>100</sup> EDC, 41:1, Issue no. 17, p. 34; Al-Katib, 41:1, Issue no. 23, p. 34; YASED, Istanbul, Turkey, 19 March 2013.

<sup>101</sup> EDC, 41:1, Issue no. 17, p. 41.

<sup>102</sup> DFAIT, *Canada-Turkey Commercial Relations*, Background note provided to the Committee, March 2013; TCCC, 41:1, Issue no. 21, p. 7; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013; TUSKON, Istanbul, Turkey, 18 March 2013; ISPAT, Istanbul, Turkey, 18 March 2013; Independent Industrialists and Businessmen Association (MUSIAD), Istanbul, Turkey, 18 March 2013; ICC, Istanbul, Turkey, 19 March 2013; DEIK, Istanbul, Turkey, 19 March 2013; Roundtable with representatives of Canadian companies, Istanbul, Turkey, 18 March 2013.

<sup>103</sup> DEIK, Istanbul, Turkey, 19 March 2013; Barkey, 41:1, Issue no. 20, p. 28; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>104</sup> EDC, 41:1, Issue no. 17, p. 37; Alessandri, 41:1, Issue no. 20, p. 11; DFAIT, 41:1, Issue no. 17, p. 10.

<sup>105</sup> Alessandri, 41:1, Issue no. 20, p. 9; DFAIT, 41:1, Issue no. 17, p. 19.

<sup>106</sup> TCCC, 41:1, Issue no. 21, p. 6; Özdemir, 41:1, Issue no. 24, p. 10.

<sup>107</sup> Özdemir, 41:1, Issue no. 24, p. 10.

<sup>108</sup> TCCC, 41:1, Issue no. 21, p. 57.

<sup>109</sup> Özdemir, 41:1, Issue no. 24, p. 10.

to be conducive to investors, the regulatory environment to be clear and the contractual rule of law to be more transparent than in other emerging countries.<sup>110</sup>

## A. Strategic Location

Witnesses repeatedly reinforced the value of Turkey's geographic location as a bridge between West and East, and its access to and ever-developing links with Europe, Central Asia, Asia, the Middle East, North Africa and Africa.<sup>111</sup> In this respect, the country's location and the logistical advantages it offers play an essential role in Turkey's growth and its appeal as a commercial partner.<sup>112</sup> As witnesses testified, Turkey is within four hours of fifty countries, 1.5 billion people and a combined US\$25 trillion in GDP.<sup>113</sup> Through its seaports it also has immediate access to a significant waterway infrastructure that includes the Mediterranean and the Black Seas.<sup>114</sup> Its location also provides advantages in terms of its linguistic, historical and cultural ties; Turkey's business culture was described by witnesses as reflecting the values and perspectives from the continents and cultures it straddles, thereby facilitating mutual understanding and ease of business.<sup>115</sup>

As the Committee heard during its hearings and fact-finding mission, Turkey's construction sector is an example of Turkish businesses that have taken full advantage of the country's location to expand into the Commonwealth of Independent States (CIS), the Middle East and Africa in significant ways.<sup>116</sup> For example, the Canadian-Turkish Business Council (CTBC) estimates that Turkish involvement in the Saudi Arabian construction and infrastructure sector totals roughly \$10 billion and that Turkish firms are involved in about 95% of the \$3 billion Iraqi construction market.<sup>117</sup>

### 1. EU Access

Turkey's access to the EU is an important feature of its commercial advantages. The EU is Turkey's most important trade and investment partner. Since 1996, Turkey has been in a customs

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<sup>110</sup> Al-Katib, 41:1, Issue no. 23, p. 36.

<sup>111</sup> Al-Katib, 41:1, Issue no. 23, pp. 30-31; O'Daly, 41:1, Issue no. 17, pp. 72-73; Minister of Trade and Customs, Ankara, Turkey, 21 March 2013; DEIK, Istanbul, Turkey, 19 March 2013; Deputy Minister of National Education, Ankara, Turkey, 21 March 2013; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013; Alamos Gold, Istanbul, Turkey, 19 March 2013.

<sup>112</sup> Deputy Minister of National Education, Ankara, Turkey, 21 March 2013; YASED, Istanbul, Turkey, 19 March 2013; EDC, 41:1, Issue no. 17, p. 34; DFAIT, 41:1, Issue no. 17, p. 11; CTBC, 41:1, Issue no. 17, p. 53.

<sup>113</sup> TCCC, 41:1, Issue no. 21, p. 7; ISPAT, Istanbul, Turkey, 18 March 2013; YASED, Istanbul, Turkey, 19 March 2013; Al-Katib, 41:1, Issue no. 23, p. 31.

<sup>114</sup> Al-Katib, 41:1, Issue no. 23, p. 30.

<sup>115</sup> DFAIT, 41:1, Issue no. 17, p. 11; Alessandri, 41:1, Issue no. 20, p. 7; TCCC, 41:1, Issue no. 21, p. 7.

<sup>116</sup> DEIK, Istanbul, Turkey, 19 March 2013; Kınıklioğlu, STRATIM, Ankara, Turkey, 21 March 2013; EDC, 41:1, Issue no. 17, p. 44; Alamos Gold, Istanbul, Turkey, 19 March 2013.

<sup>117</sup> CTBC, 41:1, Issue no. 17, p. 53.

union with the EU, which has promoted trade harmonization and joint economic development. At its apex, trade with the EU accounted for 62% of Turkey's total and between 60% and 70% of the country's inbound investment.<sup>118</sup> The Committee heard from witnesses about the transportation infrastructure links between Turkey and the EU, which have enabled the growth of economic opportunities with one of the two largest markets in the world.

## 2. Turkey as a Gateway

As witnesses testified, Turkey has leveraged its strategic location to act as a springboard for businesses interested in opportunities and partnerships in third countries across the region.<sup>119</sup> That Turkey is also stable relative to other countries in the region adds to its appeal as a safe location from which to carry out business.<sup>120</sup>

Accordingly, witnesses told the Committee that several international companies have established regional headquarters in Turkey from which to facilitate access to and management of operations in numerous third countries; these operations are in addition to the trade, investment production and manufacturing activities that the companies carry out and allow for the consolidation of expenses and other cost benefits.<sup>121</sup> For instance, from their operations in Turkey, Coca-Cola manages 94 countries; GE Healthcare manages 80 countries; Microsoft manages 80 countries; Unilever manages 32 countries; and, Intel, the microchip manufacturer, manages 67 countries.<sup>122</sup>

## B. Diversification

Witnesses emphasized that diversifying and multiplying political networks and markets beyond the EU into the Middle East, the Caucasus, Central Asia, Africa, and North Africa, as well as developing links with Brazil, Russia, India and China, have reinforced Turkey's commercial advantages and potential. These networks, with some of the most increasingly appealing economies in the world, have opened up opportunities for continued economic growth, access to supply chains, and potential partnerships.<sup>123</sup> In diversifying, Turkey is pragmatically and

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<sup>118</sup> Kınıkloğlu, STRATIM, Ankara, Turkey, 21 March 2013; DFAIT, 41:1, Issue no. 17, pp. 18; CTBC, 41:1, Issue no. 17, p. 52; ISPAT, Istanbul, Turkey, 18 March 2013; Mujdat Altay, CEO of Netaş, Istanbul, Turkey, 20 March 2013; YASED, Istanbul, Turkey, 19 March 2013.

<sup>119</sup> ISPAT, Istanbul, Turkey, 18 March 2013; Alamos Gold, Istanbul, Turkey, 19 March 2013; Al-Katib, 41:1, Issue no. 23, p. 31; DFAIT, 41:1, Issue no. 17, p. 11; O'Daly, 41:1, Issue no. 17, p. 72.

<sup>120</sup> Al-Katib, 41:1, Issue no. 23, p. 31.

<sup>121</sup> Isinak, 41:1, Issue no. 22, pp. 10, 14; ISPAT, Istanbul, Turkey, 18 March 2013; TCCC, 41:1, Issue no. 21, p. 7; YASED, Istanbul, Turkey, 19 March 2013; Barkey, 41:1, Issue no. 20, p. 28; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>122</sup> TCCC, 41:1, Issue no. 21, p. 7; YASED, Istanbul, Turkey, 19 March 2013.

<sup>123</sup> Alessandri, 41:1, Issue no. 20, p. 11; DFAIT, 41:1, Issue no. 17, p. 10; ISPAT, Istanbul, Turkey, 18 March 2013; EDC, 41:1, Issue no. 17, p. 39; Al-Katib, 41:1, Issue no. 23, pp. 30-31; Isinak, 41:1, Issue no. 22, p. 10.

strategically positioning itself to be at a significant advantage once these partners achieve their potential.<sup>124</sup>

The Committee heard from witnesses about the government's strong commitment to diversifying Turkey's commercial partners.<sup>125</sup> According to Emiliano Alessandri,

[The Turkish government] has also invested a lot in expanding the trade and investment relations of Turkey and diversifying the portfolio of Turkey. When the prime minister or foreign ministers travel to foreign countries, they always bring with them a large delegation of Turkish businessmen, sometimes in the number of 100 or 200 per trip. They have really put in a lot of effort. It is not only the political backing that economic leaders have received, but these economic leaders have grown more globally minded.<sup>126</sup>

In promoting Turkish commercial ventures and advantages abroad, the government is strategically combining its political and economic efforts in order to ensure and strengthen opportunities for success.<sup>127</sup> In other words, Turkey's foreign policy has become synonymous with its commercial strategy.<sup>128</sup>

The government's commitment to diversification is illustrated by the scope of preferential and free trade agreements the government has concluded with Albania, Bosnia and Herzegovina, Serbia, Croatia, Macedonia, Montenegro, the European Free Trade Association,<sup>129</sup> as well as Egypt, Israel, Jordan, Morocco, Palestine, Syria, Tunisia, Georgia, and Chile.<sup>130</sup> It is also exemplified in the government's lifting of visa requirements for "over 60 countries."<sup>131</sup>

The success of the government's efforts is particularly noticeable in the expanded Turkish commercial presence in Africa. The government's commitment to diversifying into Africa is evident in the Ministry of Economy's "Strategy for Enhancing Trade and Economic Relations with African Countries," 2006 being made the year of African business as a priority across the ministries, and in the increase in the number of Turkish embassies and consulates on the continent from 7 to 35.<sup>132</sup> As a result of these and other initiatives, according to data from the Ministry of Economy, Turkey's exports to Africa increased 390% from US\$2.1 billion in 2003 to US\$10.3 billion in 2011. Its imports also increased 163% over the same period from US\$3.3 billion to US\$8.7 billion. In addition, Turkish investments in Africa have totalled more than

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<sup>124</sup> Isinak, 41:1, Issue no. 22, p. 10.

<sup>125</sup> Alessandri, 41:1, Issue no. 20, p. 11; DFAIT, 41:1, Issue no. 17, p. 10; ISPAT Istanbul 18 March 2013; Netaş, Istanbul, Turkey, 20 March 2013; TUSKON, Istanbul, Turkey, 18 March 2013.

<sup>126</sup> Alessandri, 41:1, Issue no. 20, p. 11.

<sup>127</sup> Al-Katib, 41:1, Issue no. 23, p. 41.

<sup>128</sup> Isinak, 41:1, Issue no. 22, p. 10.

<sup>129</sup> The European Free Trade Association member countries are Switzerland, Norway, Iceland, and Liechtenstein.

<sup>130</sup> Al-Katib, 41:1, Issue no. 23, p. 31; Barkey, 41:1, Issue no. 20, p. 27.

<sup>131</sup> Isinak, 41:1, Issue no. 22, p. 11; Kınıklıoğlu, STRATIM, Ankara, Turkey, 21 March 2013; CTBC, 41:1, Issue no. 17, p. 58.

<sup>132</sup> Republic of Turkey, Ministry of Foreign Affairs, [Turkey-Africa Relations](#).

US\$5 billion dollars by 2011.<sup>133</sup> As Ozan Isinak testified, “They see that there is a lot of potential in African markets, as well, and that is one of the reasons all these embassies and consulates are being opened up there. They all have a business mandate.”<sup>134</sup>

Witnesses emphasized in particular the positive role played by Turkey’s “Anatolian Tigers” in driving the country’s economic growth and diversification of international networks.<sup>135</sup> Comprising mostly small- and medium-sized enterprises (SMEs) from the regions, the Committee heard from the Confederation of Businessmen and Industrialists of Turkey (TUSKON) during its fact-finding mission that many of these businesses are growing 20% annually.<sup>136</sup> According to witnesses, their prominence and economic success is attributed to Turkey’s economic reforms and the government’s regional development programs.<sup>137</sup> These young entrepreneurs have taken advantage of the windows of opportunity provided by the levers of education and government support to expand their activities into new markets.<sup>138</sup> As a result, the Anatolian Tigers have transformed Turkey’s business landscape that until now was dominated by the traditional business elite.

Witnesses doubted that, in making diversification a priority, Turkey was “turning its back to the Western world”<sup>139</sup> and stretching itself thin by being seemingly everywhere.<sup>140</sup> Instead, witnesses saw Turkey’s diversification as complementary to its Western ties.<sup>141</sup> They pointed to Turkey’s active membership in Western organizations, such as NATO and the Council of Europe, not to mention the key diplomatic, military and economic relations it has built up over the years with Western countries in explaining Turkey’s Western commitment. In this context, as Henri Barkey testified, Turkey “sees itself as a very important member of the NATO alliance.”<sup>142</sup> Its links with NATO were reinforced in 2011 with Turkey’s acceptance of a radar as part of NATO’s missile defence system to provide early warning against missile threats from the Middle East, by its participation in NATO’s ISAF mission in Afghanistan, and its request to NATO for deployment of Patriot missiles in the context of the Syrian crisis.<sup>143</sup> Moreover, the people-to-people ties, if not already significant, as in the case of the four million Turks in Europe, are

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<sup>133</sup> Republic of Turkey, Ministry of Economy, [Africa Regional Information](#).

<sup>134</sup> Isinak, 41:1, Issue no. 22, p. 10.

<sup>135</sup> Barkey, 41:1, Issue no. 20, p. 26.

<sup>136</sup> TUSKON, Istanbul, Turkey, 18 March 2013.

<sup>137</sup> Kuru, 41:1, Issue no. 20, pp. 36-37; TUSKON, Istanbul, Turkey, 18 March 2013, Al-Katib, 41:1, Issue no. 23, p. 41; TCCC, 41:1, Issue no. 21, p. 14.

<sup>138</sup> Barkey, 41:1, Issue no. 20, p. 26.

<sup>139</sup> TCCC, 41:1, Issue no. 21, p. 13.

<sup>140</sup> Batur, Sabah Newspaper, Ankara, Turkey, 20 March 2013; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013; ICC, Istanbul, Turkey, 19 March 2013; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013; Alessandri, 41:1, Issue no. 20, pp. 10, 19, 20-21; Kuru, 41:1, Issue no. 20, pp. 47-48; DEIK, Istanbul, Turkey, 19 March 2013; DFAIT, 41:1, Issue no. 17, pp. 8, 13; Chairman of the Foreign Affairs Committee, Ankara, Turkey, 21 March 2013; ISPAT, Istanbul, Turkey, 18 March 2013.

<sup>141</sup> TCCC, 41:1, Issue no. 21, p. 16.

<sup>142</sup> Barkey, 41:1, Issue no. 20, pp. 26-27.

<sup>143</sup> Kuru, 41:1, Issue no. 20, pp. 47-48; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.



growing, as evident in the increasing number of Turks in North America, currently at 300,000.<sup>144</sup> Some witnesses pointed to Turkey's expanded networks into neighbouring regions where many of the world's most pressing concerns are taking shape to demonstrate the country's importance to its Western allies and partners.<sup>145</sup>

Witnesses testified that Turkey's diversification is largely a response to the slow pace of the country's EU accession negotiations.<sup>146</sup> Since negotiations began in 2005, a chapter on science and technology has been closed, and twelve of the remaining 35 chapters on subjects ranging from the movement of capital, intellectual property law, information society and media, taxation, enterprise and industrial policy, and financial control have yet to be completed. No chapter has been opened since 2009.<sup>147</sup> As Robert O'Daly noted, Turkey "is very good at diversifying when one avenue shuts down. It is very good at seeking out opportunities elsewhere."<sup>148</sup>

Neither is Turkey abandoning EU membership as the country's strategic target, according to the Chairman of the Foreign Affairs Committee of Turkey's legislature.<sup>149</sup> However, as some witnesses testified, expectations that the accession process would take a relatively short period of time have been shown to be unrealistic given the political dimension of Turkey's membership that has complicated and delayed progress to the point that its prospects for completion are not certain.<sup>150</sup> And yet, given Turkey's existing close economic ties with the EU, witnesses explained that diversification was also a strategy to decrease Turkey's current vulnerability, which became apparent as capital inflows declined as a result of the Eurozone financial crisis.<sup>151</sup>

Thus, to sustain its economic prosperity and its ambition, Turkey has adopted diversification as its brand. Its success is evident in the increased proportion of trade and investment with non-EU partners.<sup>152</sup> According to statistics provided by ISPAT, Turkey's trade has increased 450% with its neighbours in the last five years. Similar to the growth in its commercial relations with Africa, Turkey's trade with South America has increased to US\$8 billion in 2012 from US\$900 million

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<sup>144</sup> ICG, Istanbul, Turkey, 19 March 2013; Kuru, 41:1, Issue no. 20, pp. 46-47; Republic of Turkey, Ministry of Foreign Affairs, [Turkish Citizens Living Abroad](#).

<sup>145</sup> Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>146</sup> DFAIT, 41:1, Issue no. 17, p. 23; O'Daly, 41:1, Issue no. 17, p. 65; Barkey, 41:1, Issue no. 20, p. 33.

<sup>147</sup> European Commission, [Enlargement: Turkey](#); O'Daly, 41:1, Issue no. 17, p. 67; TCCC, 41:1, Issue no. 21, pp. 15-16; DFAIT, 41:1, Issue no. 17, pp. 8, 23.

<sup>148</sup> O'Daly, 41:1, Issue no. 17, pp. 72-73.

<sup>149</sup> Chairman of the Foreign Affairs Committee, Ankara, Turkey, 21 March 2013.

<sup>150</sup> Barkey, 41:1, Issue no. 20, p. 33; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013;

Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013.

<sup>151</sup> Alessandri, 41:1, Issue no. 20, pp. 10, 19, 21; TUSKON, Istanbul, Turkey, 18 March 2013; Isinak, 41:1, Issue no. 22, p. 13; Altunışık, Middle East Technical University, Ankara, Turkey, 21 March 2013; Kuru, 41:1, Issue no. 20, p. 37; EDC, 41:1, Issue no. 17, p. 43; Eissenstat, 41:1, Issue no. 20, p. 56; Roundtable with Heads of Mission, Ankara, Turkey, 22 March 2013.

<sup>152</sup> Netaş, Istanbul, Turkey, 20 March 2013.

in 2000.<sup>153</sup> Whereas the EU used to comprise 62% of Turkey's trade, it now accounts for only 35%.<sup>154</sup>

### III. ENHANCING CANADA-TURKEY COMMERCIAL ENGAGEMENT

According to the Committee's witnesses, a deeper commercial partnership between Canada and Turkey would be mutually beneficial. Notwithstanding that Canadian firms trading with or investing in the country face strong competition from European, American, Asian and Middle Eastern businesses, the message conveyed to the Committee is that it is not too late for Canada to capitalize on the commercial opportunities that Turkey has to offer.

While increasing over the past decade, trade and investment between Canada and Turkey remains small relative to the size of both economies. The value of Canada-Turkey merchandise trade was \$2.3 billion in 2012, up 48.4% from \$1.6 billion in 2010.<sup>155</sup> In 2012, Turkey was Canada's 25<sup>th</sup> largest merchandise export market, 32<sup>nd</sup> largest source of merchandise imports, and its 34<sup>th</sup> largest overall trading partner.<sup>156</sup> Canadian exports to Turkey were valued at \$850 million in 2012 and Canadian imports from Turkey were valued at \$1.5 billion.<sup>157</sup> Canadian foreign direct investment in Turkey was \$909 million in 2012, making it Canada's 34<sup>th</sup> largest foreign investment destination, representing 0.1% of Canadian foreign direct investment abroad.<sup>158</sup>

Over the past few years, Canada and Turkey have taken steps to deepen their bilateral relations by finalizing negotiations on a number of important initiatives. In March 2009, Canada and Turkey concluded an Air Transport Agreement that led to the launch of scheduled flights between the countries later that summer. The agreement provides for three direct passenger flights per week for both countries, three flights per week for cargo services, and flexibility in the setting of prices.<sup>159</sup> In May 2011, Air Transat began weekly flights between Toronto and Istanbul and, in May 2012, Turkish Airlines announced that a commercial cooperation agreement was reached with Air Canada; the agreement enables domestic Canadian flights to connect to Turkish Airlines itineraries to or beyond Turkey, and passengers arriving in Canada from Turkey to

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<sup>153</sup> Deputy Undersecretary, Ministry of Foreign Affairs, Ankara, Turkey, 21 March 2013.

<sup>154</sup> Kınıkloğlu, STRATIM, Ankara, Turkey, 21 March 2013; TUSKON, Istanbul, Turkey, 18 March 2013.

<sup>155</sup> DFAIT, [Canada's Merchandise Exports](#), 2 May 2013; Alexandre Gauthier, "[Canada-Turkey](#)," *Trade and Investment Series*, Publication no. 2011-105-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 31 August 2011.

<sup>156</sup> DFAIT, [Canada's Merchandise Exports](#), 2 May 2013.

<sup>157</sup> Canadian merchandise exports to Turkey in 2012 consisted mainly of iron and steel, mineral fuels and oils, and vegetables. Canadian imports from Turkey in 2012 were mainly precious metals and base metal products, textiles, vehicles and equipment, vegetable products and glass materials. Canadian merchandise trade with Turkey totalled \$2.4 billion in 2011. DFAIT, [Canada-Turkey Relations](#).

<sup>158</sup> DFAIT, [Canadian Direct Investment Abroad \(Stocks\)](#), May 2013.

<sup>159</sup> DFAIT, [Bilateral Air Negotiations Between Canada and Foreign Countries](#).

continue their journey with Air Canada domestic flights.<sup>160</sup> Recent news articles say that Turkish Airlines intends to have three weekly flights scheduled between Montreal and Istanbul by the end of 2013.<sup>161</sup> The Istanbul Chamber of Commerce said that the establishment of direct flights between Canada and Turkey could help to increase investment and trade significantly.<sup>162</sup>

Other bilateral agreements of significance include a 2009 agreement on the avoidance of double taxation as well as on the prevention of fiscal evasion in relation to income taxes and capital. The agreement entered into force in May 2011 and provides that tax paid in one country can be offset against tax paid in the other country.<sup>163</sup> Importantly, in December 2010, Turkey opened a Consulate in Toronto. That same month, Canada opened a Consulate in Istanbul, Turkey's commercial centre. The Committee heard that Canada's Consulate in Istanbul can be an important tool in providing business intelligence to Canadian companies operating or seeking to operate in the country.<sup>164</sup> Witnesses said that the recent agreements concluded by Canada and Turkey have been well received in Turkey and have raised Canada's commercial profile.<sup>165</sup>

The Committee believes that Canada should capitalize on Turkey's commercial advantages. The country's proximity to the Middle East, Central Asia, the Mediterranean, the Black Sea, the Caucasus and Europe – areas that are of particular strategic and commercial interest to Canada – reinforce Turkey's potential importance to Canada. According to witnesses, Turkey's involvement in the EU customs union is another reason why Canadian businesses should invest there. Turkey could provide a strategic location for Canadian companies to set up subsidiaries and is a natural hub for doing business in countries across the Middle East and the broader region. Moreover, like Turkey, Canada is diversifying and looking for export markets beyond the United States and partnerships in third countries.<sup>166</sup> Some witnesses emphasized that Turkey's relative political stability in an often volatile region make it a strong market choice for Canadian businesses.<sup>167</sup> The Committee believes that for these and other reasons, Canada should seize on the opportunities presented by the new Turkey. The time is ripe to jumpstart Canada-Turkey commercial relations.

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<sup>160</sup> Turkish Airlines, "[Turkish Airlines announces a commercial cooperation agreement with Air Canada](#)," Press release, 18 May 2012.

<sup>161</sup> Marie-Eve Soucy, "[Turkish Air Relira Montréal à Istanbul](#)," *ExpressVoyage*, 17 April 2013.

<sup>162</sup> ICC, Istanbul, Turkey, 19 March 2013.

<sup>163</sup> Department of Finance, [Entry Into Force of the Tax Agreement Between Canada and Turkey](#), 6 May 2011.

<sup>164</sup> DFAIT, 41:1, Issue no. 17, p. 8; CTBC, 41:1, Issue no. 17, p. 51; DFAIT, "[Government of Canada Opens New Consulate in Istanbul](#)," News release, 7 December 2010.

<sup>165</sup> CTBC, 41:1, Issue no. 17, p. 51.

<sup>166</sup> Alamos Gold, Istanbul, Turkey, 19 March 2013; DFAIT, 41:1, Issue no. 17, p. 11; CTBC, 41:1, Issue no. 17, p. 53.

<sup>167</sup> DFAIT, 41:1, Issue no. 17, p. 10.

## A. Matching Canadian Supply with Turkish Demand

While recent initiatives have raised awareness about what Canada and Turkey have to offer each other, more needs to be done to capitalize fully on the opportunities offered by each country. Canada's commercial relations with Turkey are expanding, but there is substantial room for further trade and investment growth across a wide array of sectors. As the Turkish-Canadian Chamber of Commerce stated, "[T]here is still tremendous untapped potential to further expand our bilateral trade and investment relations."<sup>168</sup>

The Committee agrees with witnesses that Canadian companies should focus on commonalities and identify areas where they can match their expertise with Turkey's priorities.<sup>169</sup> According to witnesses' testimony, Turkey and Canada have many affinities that can help accelerate their commercial relations. For example, both countries have a strong dependence on trade and witnesses noted that commercial opportunities in Turkey align closely with Canadian supply capabilities.<sup>170</sup>

Turkey has gradually transitioned to a more innovation-driven economy with a mixture of service-driven and industrial jobs. At the same time, the economy remains diversified, with the manufacturing, agricultural, textile, and service sectors all being important contributors to their economy. In particular, the Committee heard that Turkey has made major investments in education, information and communication technology (ICT), infrastructure and energy, among other sectors.

From an investment perspective, both Canada and Turkey have communicated an eagerness to form a partnership. EDC has identified Turkey as a strategic market of opportunity for Canadian firms and has stated that there is great potential for trade and investment for Canadian companies in Turkey across a wide range of sectors.<sup>171</sup> ISPAT says that the country is looking for investments that create employment in Turkey, reduce its current account deficit and contribute to the transfer of technology between countries.<sup>172</sup> The Committee also heard about opportunities available in terms of regional development.<sup>173</sup> Murat Özdemir, Country Advisor for ISPAT in Canada, called Turkey "an untapped complementary destination for Canadian companies seeking global outreach and exploring a sustainable growth strategy in many sectors."<sup>174</sup>

**The Committee underscores that now is the right time for Canada and Turkey to pursue deeper commercial partnerships, and for Canadian investors and businesses to focus on the**

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<sup>168</sup> TCCC, 41:1, Issue no. 21, p. 7.

<sup>169</sup> Alamos Gold, Istanbul, Turkey, 19 March 2013.

<sup>170</sup> DFAIT, 41:1, Issue no. 17, p. 11; EDC, 41:1, Issue no. 17, p. 35.

<sup>171</sup> EDC, 41:1, Issue no. 17, p. 35.

<sup>172</sup> Özdemir, 41:1, Issue no. 24, p. 13.

<sup>173</sup> BDP, Ankara, Turkey, 22 March 2013.

<sup>174</sup> Özdemir, 41:1, Issue no. 24, p. 11.

## **Turkish sectors with the greatest opportunities, including in agriculture, mining, energy, infrastructure and transportation.**

### **1. Agriculture and Agri-Food**

The Committee heard that there is tremendous potential for cooperation between Canada and Turkey in the agricultural and agri-food sector.<sup>175</sup> Turkish demand for imported agricultural products is steadily growing, and the country is undergoing a gradual shift away from traditional staple foods and toward more Western-style food products. Turkey's dynamic demographic profile – a growing middle class with rising per capita incomes – is likely to mean that the country will be a net importer of agri-food products for the next 10 to 15 years.<sup>176</sup> From an export and re-export perspective, Turkey is the seventh-largest agricultural producer in the world and the world's largest producer of hazelnuts, figs, apricots and cherries.<sup>177</sup> Turkey has invested significantly in its transportation infrastructure, allowing goods to get to market with greater speed and ease.

Currently, the value of Canada's agricultural and agri-food exports to Turkey is relatively small. In 2012, these exports were valued at \$138 million, representing 2% of Turkey's total agricultural and food imports.<sup>178</sup> However, there are indications that both countries are interested in greater agricultural cooperation. In 2009, the Saskatchewan Trade and Export Partnership (STEP) – together with Enterprise Saskatchewan, the province's special agency for economic development – undertook a trade mission to Turkey. STEP has indicated that it sees opportunities for commercial engagement with Turkey in the area of pulses, which include peas, lentils and chickpeas.<sup>179</sup> In addition, in September 2010, the Minister of Agriculture and Agri-Food signed a memorandum of understanding (MOU) on Cooperation in the Field of Agriculture and Allied Sectors with the Turkish Ministry of Agriculture and Rural Affairs.<sup>180</sup> Accordingly, the two countries agreed to collaborate on research and technology development, science-based approaches to trade and agri-environmental issues.<sup>181</sup>

One particularly noteworthy example of a Canadian company taking advantage of the agricultural and agri-food opportunities in the Turkish market is that of Saskatchewan-based

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<sup>175</sup> Canadian Embassy, Ankara, Turkey, 20 March 2013.

<sup>176</sup> DFAIT, *Canada-Turkey Agricultural Trade Relations*, Background note provided to the Committee, March 2013.

<sup>177</sup> Turkey is also among the leading producers of melons, leeks, spices, peppers, chestnuts, chickpeas, pistachios, walnuts, lentils, and natural honey.

<sup>178</sup> Canada's primary agricultural exports to Turkey in 2012 were red and green lentils, oilseeds, hatching eggs, bovine genetics, pet food, corn and wheat. Canada is currently the largest supplier of pulses to Turkey with exports valued at \$93 million in 2012.

<sup>179</sup> Saskatchewan Trade and Export Partnership, [Saskatchewan Forging Stronger Agricultural Trade with Turkey](#), 16 April 2009.

<sup>180</sup> The 2010 MOU replaces the MOU from 1993.

<sup>181</sup> Agriculture and Agri-Food Canada, [Memorandum of Understanding Between the Department of Agriculture and Agri-Food of Canada and the Turkish Ministry of Agriculture and Rural Affairs on Cooperation in the Field of Agriculture And Allied Sectors](#), September 2010.

Alliance Grain Traders. Alliance Grain Traders is a lentil and pea splitting company that has 29 processing facilities located around the world, including in Canada, the United States, Turkey, Australia, China and South Africa; it ships its products to customers in more than 100 countries. In 2009, Alliance Grain Traders completed the largest investment by a Canadian agricultural business in Turkey to date, with a \$104 million acquisition of the Arbel Group. The Arbel Group is the largest importer of Canadian pulses, and the largest exporter of pulses in Turkey. Its CEO, Murad Al-Katib, stated that Turkey has become a key part of the company's overall business.<sup>182</sup>

Alliance Grain Traders is an example of how a Canadian company can both tap into the Turkish market, and gain access to Turkish supply chains and business networks. Mr. Al-Katib commented that Turkey is a significant export market for pulse crops in its own right, as well as an important shipping corridor for agricultural products to countries throughout the region. The Committee was informed that Turkey is becoming a transit market for beans, peas and lentils.<sup>183</sup> Mr. Al-Katib also said that Turkey has become a regional food production and distribution centre. He called Turkey "a springboard for agricultural distribution of food products" given its export links to countries in the Middle East and North Africa.

The Committee heard that agricultural cooperation between Canadian and Turkish companies could provide an opportunity to engage in agricultural technology transfer.<sup>184</sup> Turkey's agricultural sector is limited by a lack of irrigation infrastructure, high fuel, machinery, fertilizer and feed, as well as other input costs, and a lack of widespread use of technology, particularly in food processing facilities.<sup>185</sup> Research and technology development are identified in the MOU on Cooperation in the Field of Agriculture and Allied Sectors and could be a potential area of opportunity for Canadian businesses in Turkey.

## 2. Mining

Witnesses also identified mining as a sector with significant opportunities for Canadian businesses in Turkey. While not a substantial contributor to Turkey's economy, the value of the mining sector more than quadrupled between 2002 and 2010, rising from \$1.9 billion to \$7.7 billion. Globally, Turkey ranks 28<sup>th</sup> in terms of the value of its mining sector.<sup>186</sup> The Committee heard that the future of Turkey's mining industry sector is bright, especially as a result of the regulatory changes that the country has made in order to meet EU standards.<sup>187</sup> Representatives of Canadian mining companies with whom the Committee met during its visit to Turkey

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<sup>182</sup> Alliance Grain Traders operates nine processing facilities in Turkey, including a food production compound located in Mersin, the main agricultural seaport in and out of Turkey. Mr. Al-Katib stated that the company's total investment in Turkey is \$150 million. Al-Katib, 41:1, Issue no. 23, pp. 29-30.

<sup>183</sup> EDC, 41:1, Issue no. 17, p. 40.

<sup>184</sup> Al-Katib, 41:1, Issue no. 23, p. 32.

<sup>185</sup> Agriculture and Agri-Food Canada, *Agri-Food Past, Present and Future Report: Turkey*, January 2011; ISPAT and Deloitte, *Turkish Agriculture Industry Report*, July 2010; EIU, *Country Report: Turkey*, December 2012.

<sup>186</sup> "Like a Rock: Review Mining," *Turkey 2012: The Business Year*, 2012, p. 97.

<sup>187</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013.

indicated that these reforms have made it easier for foreign companies to operate.<sup>188</sup> Moreover, the sector is expected to grow as foreign investment increases, technologies are developed and applied, and high start-up costs are addressed.

Witnesses suggested that mining may represent a niche sector for Canadian companies and investors in Turkey.<sup>189</sup> As one of the world's leading mining countries, and one of the largest producers of mineral and metals, Canada and Canadian companies have developed a world-renowned reputation in the mining sector. A number of Canadian firms currently have operations in Turkey, including Eldorado Gold, which oversees the country's largest mine, Inmet Mining, which operates one of Turkey's largest copper mines, and Frontline Gold and Alamos Gold, which have recently invested in the Turkish mining sector.<sup>190</sup> SNC-Lavalin is also involved in designing and building a nickel processing plant in Turkey, and – according to the Canadian-Turkish Business Council – Silvermet is looking to make a substantial investment in the area of zinc extraction and production in Turkey.<sup>191</sup>

The Committee was told that Canada is positively perceived in the Turkish mining sector and that Canadian investors would be welcomed.<sup>192</sup> In particular, witnesses said that there could be substantial potential for Canadian companies in the area of gold mining, which is growing at a fast pace in Turkey.<sup>193</sup>

### 3. Energy

According to the Committee's witnesses, Turkey's energy sector is well-matched to Canadian supply capabilities. Turkey is seeking both to diversify its source of energy imports and to enhance its domestic supply. As such, the Committee heard that there is a market for Canadian expertise in developing conventional, renewable, and nuclear sources of energy.

Turkey is a large consumer of energy and relies on imports for more than 90% of its total consumption of liquid fuels. According to the United States Energy Information Administration, among OECD countries, Turkey had the fastest growth in energy demand over the last two years, and energy use in the country is expected to double over the next decade.<sup>194</sup> As a consequence, the Committee was told that Turkey is seeking to develop alternative sources of energy in order to reduce both its reliance on oil imports and its current account deficit.<sup>195</sup> Witnesses said that the government has made significant investments in energy infrastructure and in developing domestic power generation. Moreover, it has established incentives to develop renewable energy,

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<sup>188</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013.

<sup>189</sup> EDC, 41:1, Issue no. 17, p. 35; TCCC, 41:1, Issue no. 21, p. 8; Al-Katib, 41:1, Issue no. 23, p. 35.

<sup>190</sup> CTBC, 41:1, Issue no. 17, p. 54.

<sup>191</sup> CTBC, 41:1, Issue no. 17, p. 54.

<sup>192</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013.

<sup>193</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013.

<sup>194</sup> United States Energy Information Administration, [Turkey Overview](#), February 2013.

<sup>195</sup> Isinak, 41:1, Issue no. 22, p. 9.

such as solar, wind and hydroelectricity, and has developed a plan to build nuclear reactors.<sup>196</sup> Turkey also has plans to expand its energy distribution network. The country has become an energy hub in the region between the Caspian Sea, the Middle East and Europe.<sup>197</sup> Several gas pipelines in Turkey connect the European market to gas reserves in Central Asia.<sup>198</sup>

The Committee heard that Canada could play an important role in Turkey's emerging nuclear sector. Canada and Turkey have signed an agreement on the peaceful uses of nuclear energy, and this agreement provides a framework for bilateral cooperation. According to Husan Murat Mercan, Deputy Minister of Energy and Natural Resources, Turkey is interested in cooperating with Canada in the nuclear energy sector, particularly with respect to research and nuclear management.<sup>199</sup>

Witnesses also commented on the potential for collaboration between Canadian and Turkish companies in the development of renewable energy. SNC-Lavalin has operations in the Turkish energy sector and is currently providing engineering and construction services for hydroelectric power companies. As the Canadian-Turkish Business Council testified, a number of Canadian renewable energy firms have focused their efforts on Turkey. For example, the Ontario firm Canadian Solar Inc. announced that it had been awarded a solar module supply contract in Turkey, and wind energy firm Free Breeze operates an office in Turkey that serves both the country and the region.<sup>200</sup> Recognizing the potential opportunities and growth in Turkey's energy sector, the Committee believes that Canadian companies should be a part of the country's emerging energy landscape.

#### 4. Infrastructure and Transportation

Opportunities exist for Canadian companies to take advantage of the significant infrastructure investments that Turkey is making. Recently the Turkish government announced a series of new infrastructure investments and initiatives designed to generate economic growth. ISPAT told the Committee that the Turkish government has ambitious plans for upgrades and new projects through 2023 of approximately \$400 billion.<sup>201</sup> It also said that the Turkish government plans to double the total number of toll roads in Turkey, and to expand significantly the country's rail network. In addition, the country is seeking to expand the Istanbul airport in order to make it the world's largest airport. EDC commented that Istanbul has been short-listed to host the 2020 Olympic Games, which would result in major new infrastructure projects.<sup>202</sup>

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<sup>196</sup> ICC, Istanbul, Turkey, 19 March 2013.

<sup>197</sup> O'Daly, 41:1, Issue no. 17, p. 72.

<sup>198</sup> Agriculture and Agri-Food Canada, *Agri-Food Past, Present and Future Report: Turkey*, January 2011.

<sup>199</sup> Husan Murat Mercan, Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

<sup>200</sup> CTBC, 41:1, Issue no. 17, p. 54.

<sup>201</sup> Özdemir, 41:1, Issue no. 24, p. 12.

<sup>202</sup> EDC, 41:1, Issue no. 17, p. 35.



The Committee agrees with witnesses that infrastructure, like agriculture, mining and energy, is another sector where Canadian supply capability is well-matched to Turkish needs.<sup>203</sup> Murat Özdemir of ISPAT commented that there are opportunities for Canadian companies to be involved in Turkey's infrastructure sector as a financier, owner or operator.<sup>204</sup> The Canadian-Turkish Business Council said that there are a number of potential engineering projects for Canadian companies in Turkey, such as building bridges and highways and constructing airport facilities.<sup>205</sup> Bombardier is currently involved in a number of transportation projects in Turkey, including a rail project for the Ankara Metro System.<sup>206</sup>

Aviation is another sector that has seen substantial growth in Turkey as Istanbul seeks to become a world transportation hub.<sup>207</sup> Consequently, there is increased demand for aircraft manufacturing, maintenance, overhaul and repair in Turkey, which could present opportunities for Canadian companies.<sup>208</sup> DFAIT indicated that it sees Turkey as being an increasingly attractive market for Canadian aerospace companies.<sup>209</sup> As one example, Bombardier currently has 19 business aircraft in operation in Turkey, and Turkey's Atlasjet signed a letter of intent to acquire ten C-Series jetliners from the company with an option for five additional planes.<sup>210</sup> As Turkey grows into a top tourist destination, there could be opportunities for Canadian companies to partner in the country's burgeoning aerospace sector.

## B. Building Bridges

During the Committee's hearings and fact-finding mission, witnesses repeatedly said that building mutual awareness is one of the challenges to be overcome in order to strengthen commercial relations between Canada and Turkey. The Committee heard that the business communities in Canada and Turkey are still largely unaware of the commercial opportunities that each country has to offer.<sup>211</sup> For example, the Independent Industrialists and Businessmen Association (MUSIAD) said that Canada's business and regulatory environment is not that well known in Turkey.<sup>212</sup> Witnesses noted that building stronger awareness of each other would strengthen our mutual understanding and facilitate dialogue on a range of bilateral issues.

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<sup>203</sup> EDC, 41:1, Issue no. 17, p. 37.

<sup>204</sup> Özdemir, 41:1, Issue no. 24, p. 12.

<sup>205</sup> CTBC, 41:1, Issue no. 17, p. 54.

<sup>206</sup> Bombardier, [Ankara, Turkey](#).

<sup>207</sup> The Turkish Government has announced plans to build the world's largest airport in Istanbul. Barkey, 41:1, Issue no. 20, p. 29.

<sup>208</sup> DFAIT, *Canada-Turkey Commercial Relations*, Background note provided to the Committee, March 2013; Barkey, 41:1, Issue no. 20, p. 28; Roundtable with Consuls General, Istanbul, Turkey, 18 March 2013.

<sup>209</sup> DFAIT, 41:1, Issue no. 17, p. 11.

<sup>210</sup> Ross Marowits, "[Bombardier sees Turkey as potential 'breakout market.'](#)" *iPolitics*, 30 August 2012.

<sup>211</sup> TCCC, 41:1, Issue no. 21, p. 10; Al-Katib, 41:1, Issue no. 23, p. 42.

<sup>212</sup> MUSIAD, Istanbul, Turkey, 18 March 2013.

Deeper understanding would benefit Canada-Turkey diplomatic relations as well. In undertaking this study, the Committee was aware of the differences of opinion regarding the 1915 Armenian genocide and was reminded of this issue throughout. Mandated to assess relations between Canada and Turkey and the means available to strengthen them, the Committee underscores that fundamental differences of opinion have not stood in the way of continuing and indeed intensifying bilateral relations with other countries.

The Committee suggests that Canada renew its efforts to urge reconciliation between Armenia and Turkey, noting the Zurich Protocols on the Normalization of Armenian-Turkish Relations as the best way forward. It further suggests that an accelerated and consistent dialogue at the political level will help Canada and Turkey move forward, both diplomatically and commercially. This perspective is elaborated below.

## 1. Deepening Political Engagement

One of the main messages the Committee heard was that Turkey is a country where government-to-government relations, especially at the most senior levels, play a key role in facilitating business. Turkish government authority or influence in the country's economy, particularly in major projects, tenders and strategic sectors, is strong. **Witnesses emphasized that a robust Canadian government engagement with Turkey at all levels, but particularly at the highest political offices, is critical to building the Canada-Turkey relationship and increasing Canada's visibility.**

The Committee is encouraged by the increased number of bilateral visits by ministers and high-level Canadian delegations to Turkey. Since 2009, Canadian ministers of Foreign Affairs, International Trade, National Defence, Agriculture and Agri-Food and Citizenship and Immigration have all visited Turkey. On the business side, in 2009, the largest-ever Canadian trade mission to Turkey visited both Ankara and Istanbul. Headed by the Canadian-Turkish Business Council, the delegation was composed of 30 firms from across Canada, along with representatives from three provinces and three federal organizations. The visit was the first for approximately two-thirds of the firms that participated.<sup>213</sup>

The Committee agrees with witnesses that high-level visits are very important for increasing Canada's profile in Turkey and for building the kinds of economic and political linkages that Canada is seeking in the country.<sup>214</sup> **The Committee underscores that fostering a positive and constructive dialogue at the highest political levels is important in helping Canadian businesses to position themselves for success in Turkey. In particular, deeper political engagement underpins other initiatives and enhances their contribution. Moreover, efforts at political engagement need to be sustained and consistent in order to offer real value and**

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<sup>213</sup> CTBC, 41:1, Issue no. 17, p. 52.

<sup>214</sup> DEIK, Istanbul, Turkey, 19 March 2013; CTBC, 41:1, Issue no. 17, p. 55; TCCC, 41:1, Issue no. 21, p. 10.

**benefit to deepening the Canada-Turkey relationship.** In this respect, some witnesses noted that the two countries' prime ministers have yet to meet bilaterally, having only had discussions on the margins of multilateral meetings.

In addition to increasing high-level visits, the Committee agreed to pass on to the Government of Canada the suggestion by the Deputy Co-Chairman of the BDP for Canada to mediate Turkey's Kurdish situation similar to the third-party mediation role it played in the conflict in Northern Ireland as another way by which Canada can deepen its political engagement with Turkey.<sup>215</sup>

## RECOMMENDATION 1

**That the Government of Canada maintain consistent engagement with the Government of the Republic of Turkey at the highest political levels in order to develop a new and more significant bilateral relationship.**

### 2. Negotiating a Free Trade Agreement

In the Committee's view, one of the most significant measures that the Government of Canada could undertake to deepen relations with Turkey would be to accelerate negotiations on a bilateral free trade agreement (FTA). According to DFAIT, in October 2009, Turkey indicated its interest in pursuing an FTA with Canada. Officials from the two countries met in Ottawa in February 2010 and in Ankara in October 2010 to discuss the respective interests of the countries in pursuing free trade negotiations. In August 2010, the Government of Canada launched public consultations on a Canada-Turkey FTA.<sup>216</sup> Notwithstanding initial discussions, DFAIT indicated that a level of ambition on the Turkish part for pursuing an ambitious and comprehensive FTA had not yet materialized. In its appearance before the Committee, DFAIT said, "Canada continues to exchange information and views with Turkey in order to determine whether it will show a willingness to negotiate an ambitious and comprehensive trade agreement that would address key areas of importance to Canadian industry."<sup>217</sup>

Turkey's network of FTAs and its customs union with the EU suggests that the country sees the economic benefits that can result from such agreements. The Committee is encouraged by comments from the Turkish Minister of Trade and Customs, who expressed a willingness and an urgency to restart negotiations for an FTA with Canada. The Committee strongly urges the Government of Canada to support the initiative for concluding an FTA with Turkey and engage immediately with the Government of the Republic of Turkey to determine if the two parties can

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<sup>215</sup> BDP, Ankara, Turkey, 22 March 2013.

<sup>216</sup> "[Consultations on Possible Free Trade Negotiations with Turkey](#)," *Canada Gazette*, 7 August 2010.

<sup>217</sup> DFAIT, 41:1, Issue no. 17, p. 20.

find common ground. Turkey, like Canada, is a trading nation and the governments should work together on a mutually beneficial FTA. Given the advantages that would be gained, even a modest agreement would result in significant returns. To this end, the Committee recommends:

## RECOMMENDATION 2

**That the Government of Canada identify Turkey as a strategic commercial priority and accelerate negotiations with the Government of the Republic of Turkey for a free trade agreement.**

### 3. Facilitating Partnerships

The Committee heard that cultivating and sustaining personal relationships is critical in the Turkish business environment, in part because the commercial sector is largely comprised of family-owned conglomerates that operate mostly through personal and familial connections.<sup>218</sup> Accordingly, witnesses commented that engaging with a local partner in a joint venture is one way for Canadian businesses to enter the Turkish market. As EDC said, “To be recognized in that market, Canadian companies must have a local presence and demonstrate that they mean to stay there for the long term.”<sup>219</sup> Such partnerships are also essential to understanding the local language and business culture in order to facilitate commercial relations. They also build on the need for Canadian businesses to visit Turkey and Turkish companies to travel to Canada.<sup>220</sup> As noted by the Turkish-Canadian Chamber of Commerce, “We need to create awareness, and you can only do that, in our view, by visiting and increasing the frequency of those visits.”<sup>221</sup>

In addition, the Committee believes that EDC, through its office in the Canadian Consulate in Istanbul, can be an important partner for Canadian companies.<sup>222</sup> Witnesses noted that EDC has developed a strong presence in Turkey, and currently supports more than 200 Canadian companies in the Turkish region as it provides “on the ground” support through its financing and risk management services.<sup>223</sup> EDC can help in matching Canadian capabilities with Turkish demand, and in providing information on opportunities for Canadian companies to invest in Turkey or participate in supply chains that originate in the country. The Committee strongly encourages the Government of Canada to enhance the capacity of EDC in Turkey and promote partnerships between Canadian businesses and Turkish business associations.

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<sup>218</sup> DFAIT, 41:1, Issue no. 17, p. 19.

<sup>219</sup> EDC, 41:1, Issue no. 17, p. 35.

<sup>220</sup> DEIK, Istanbul, Turkey, 19 March 2013.

<sup>221</sup> TCCC, 41:1, Issue no. 21, p. 21.

<sup>222</sup> EDC, Istanbul, Turkey, 18 March 2013.

<sup>223</sup> EDC, 41:1, Issue no. 17, p. 35.

At the same time, in light of the Turkish government's active promotion of Turkish commercial ventures and advantages abroad, the Committee trusts that the Government of Canada is assessing the consequences of such support for Canada's commercial opportunities and competitiveness.

During its fact-finding mission to Turkey, several governmental and business representatives spoke to the Committee about the potential for Canadian businesses to partner with Turkey in third countries in Africa, the Middle East and Asia in order to maximize their commercial strengths.<sup>224</sup> For example, Hasan Murat Mercan, Turkey's Deputy Minister of Energy and Natural Resources, said that the potential exists for Canadian and Turkish companies to participate in joint energy ventures in third countries, like Azerbaijan, Libya and other parts of the region where Turkey has a presence.<sup>225</sup> Witnesses highlighted that Turkish businesses have strong local knowledge and business contacts, and that Turkey is a risk-taking culture. On their part, Canadian businesses would contribute their knowledge and expertise to joint ventures in third countries, particularly in terms of development and application of high technology.

Given that opportunities in third countries, notably in Africa, are becoming increasingly more competitive with the growing presence of such dominant players as China, the Committee encourages the Government of Canada to facilitate joint bidding opportunities that combine the advantages of Canadian high-skilled expertise and Turkish operational and local knowledge in order to enhance their competitiveness. Such joint initiatives would be especially mutually beneficial under those conditions for credible projects where financing is the issue for each country individually; indeed, Canada's reputation in its banking sector partners corresponds with the relative reliability of Turkey's banks as demonstrated in the context of the global financial crisis. Moreover, such opportunities would benefit from cooperation between EDC and relevant Turkish government agencies.

Indeed, opportunities for new forms of collaboration, particularly in Africa, should be explored. In light of the changing face of Africa and its growing economic needs and potential, the Committee believes that Turkey's development strategy of the last twenty years, which has strategically targeted that continent, should not be overlooked.

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<sup>224</sup> Minister of Trade and Customs, Ankara, Turkey, 21 March 2013; Alamos Gold, Istanbul, Turkey, 19 March 2013; Netaş, Istanbul, Turkey, 20 March 2013.

<sup>225</sup> Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

The Committee recommends:

### RECOMMENDATION 3

**That the Government of Canada facilitate partnerships between Turkish and Canadian businesses, including innovative financing collaborations in third countries.**

#### 4. Advancing Relations in Education

As it did in its report on Canada-Brazil relations, **the Committee underscores education as a key driver in deepening engagement between Canada and Turkey from which will flow trade and investment opportunities.** According to Orhan Erdem, Deputy Minister of National Education, Turkey believes that education is integral to its economic growth, and the country is making the kinds of investments that are required in a modern, global and highly integrated society.<sup>226</sup> However, despite attempts to make education universally accessible, the process for university admission in Turkey is highly competitive; only 25% of those who write the entrance exam are admitted.<sup>227</sup> Witnesses indicated that many Turks are pursuing education abroad, creating opportunities for international schools, including Canadian institutions, to admit Turkish students.<sup>228</sup>

Witnesses told the Committee that Canada should capitalize on the educational opportunities presented by the “new Turkey.”<sup>229</sup> However, the Committee heard that Canada’s education brand in Turkey is relatively unknown.<sup>230</sup> That many Turkish students are unaware of the educational opportunities in Canada is reflected in the small number of Turks studying in Canada. As of December 2011, there were 1,633 Turkish students studying in Canada under temporary resident status, and DFAIT estimates that, taking into account the number of students who come to Canada for studies of six months or less, the total number of Turkish students in Canada is about 3,000.<sup>231</sup>

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<sup>226</sup> Deputy Minister of National Education, Ankara, Turkey, 21 March 2013; DFAIT, 41:1, Issue no. 17, p. 10-11, 18.

<sup>227</sup> The labour shortage in Turkey is particularly acute in post-secondary institutions where, according to the president of the Council of Higher Education in Turkey, there is a need for an additional 50,000 faculty members. Professor Dr. Yusuf Ziya Ozcan, President of the Council of Higher Education of Turkey, “Challenges to the Turkish Higher Education System,” 22<sup>nd</sup> International Conference on Higher Education, Ankara, June 2011; Canadian Embassy, Ankara, Turkey, 20 March 2013.

<sup>228</sup> TCCC, 41:1, Issue no. 21, p. 23; Canadian Embassy, Ankara, Turkey, 20 March 2013.

<sup>229</sup> EDC, 41:1, Issue no. 17, p. 35.

<sup>230</sup> Canadian Consulate, Istanbul, Turkey, 18 March 2013; Canadian Embassy, Ankara, Turkey, 20 March 2013.

<sup>231</sup> Citizenship and Immigration Canada, “[Facts and Figures 2011 – Immigration Overview: Permanent and Temporary Residents](#).” DFAIT, Background note provided to the Committee, 5 December 2012.

The Committee's witnesses highlighted the absence of a Canada Brand and of a concerted effort to market Canadian educational institutions. Witnesses contrasted Canada's lack of action in this regard with the efforts of Australia, the United Kingdom and the United States, countries with which Canada competes for international students.<sup>232</sup>

The Committee believes that Canada benefits from international students. By creating personal networks between Canadians and students from other cultures, international education can facilitate the development of positive relationships between countries and peoples that have long lasting outcomes, including from a commercial perspective. Gonzalo Peralta, Executive Director, Languages Canada, told the Committee that international education in Canada has a positive impact on the Canadian brand and image, promotes diversity in Canadian society, builds long-term relationships and networks between peoples, and benefits the Canadian economy.<sup>233</sup> A 2011 report commissioned by DFAIT indicated that in 2010, international students in Canada spent in excess of \$7.7 billion on tuition, accommodation and discretionary spending, up from \$6.5 billion in 2008.<sup>234</sup>

The Committee heard during its fact-finding mission that Canada's educational institutions are well-placed to meet Turkey's educational needs.<sup>235</sup> For example, EDC commented that distance or tele-education is an area where "Canada could bring a lot to the table and where EDC, ideally, with the right project, could help through the provision of a financial service to do that."<sup>236</sup> Research and development is another area where witnesses said that Canadian educational institutions could provide value-added expertise. For example, Turkey's Deputy Minister of Energy and Natural Resources commented that Turkey is seeking to enhance the research and development capacity of its educational institutions at the post-graduate level and said that Canada could provide expertise in this area.<sup>237</sup>

A number of recent initiatives point to the potential for enhancing educational cooperation between Canada and Turkey. In 2012, the Advisory Panel on Canada's International Education Strategy named Turkey as one of the markets for international education that have "the greatest potential for Canada," and a country that should receive priority resource allocation for

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<sup>232</sup> Roundtable with representatives of Canadian companies, Istanbul, Turkey, 18 March 2013.

<sup>233</sup> Gonzalo Peralta, 41:1, Issue no. 24, p. 24.

<sup>234</sup> Roslyn Kunin and Associates, Inc., *Economic Impact of International Education in Canada – An Update: Final Report*, revised May 2012. See also Advisory Panel on Canada's International Education Strategy, *International Education: A Key Driver of Canada's Future Prosperity - Final Report*, August 2012.

<sup>235</sup> DFAIT, 41:1, Issue no. 17, p. 10-11; Minister of Trade and Customs, Ankara, Turkey, 21 March 2013; Deputy Minister of National Education, Ankara, Turkey, 21 March 2013; Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013; Roundtable with representatives of Canadian companies, Istanbul, Turkey, 18 March 2013; Bryan Henderson, 41:1, Issue no. 24, p. 32.

<sup>236</sup> EDC, 41:1, Issue no. 17, p. 41.

<sup>237</sup> Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

international education promotion.<sup>238</sup> In the 2013 budget, the Government of Canada announced C\$23 million over two years to implement Canada’s International Education Strategy.<sup>239</sup> The budget also announced an investment of C\$42 million over two years “to support enhanced processing capacity within the Temporary Resident Program to meet growing demand, which will help ensure timely and efficient processing.”<sup>240</sup>

The Committee encourages the Government of Canada to sustain the political will and resources necessary to build upon the momentum of these recent initiatives. Canada cannot sit idly by and hope that Turks will choose it as a destination for international education. The market for international students is very competitive and Canada needs to be proactive in marketing itself as the destination of choice. In this context, **the Committee believes that Canada needs to develop relationships with educational stakeholders in Turkey, and to invest more in marketing Canada as an educational destination.**

#### a. Youth Mobility Agreement

Since coming to power, witnesses told the Committee that Prime Minister Erdoğan has prioritized job creation, particularly targeting Turkey’s youth. In light of Turkey’s education and training priorities, **a youth mobility agreement that allows Turkish youth to work and study in Canada for up to one year would expose Turkish as well as Canadian youth to invaluable educational and employment experiences, and strengthen their capacity to contribute to their country and their country’s economy.** To date, Canada has concluded agreements with countries such as Chile, Ukraine, Poland, Greece and Croatia.<sup>241</sup> However, given Canada’s own employment pressures, it would be important that such opportunities be commensurate with labour market conditions. Recognising that an appetite to increase exchanges exists, the Committee recommends:

### RECOMMENDATION 4

**That the Government of Canada undertake to enter into a youth mobility agreement with the Government of the Republic of Turkey, which could include young professional and international co-op experiences, and with reasonable quotas for each category.**

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<sup>238</sup> The Advisory Panel was created in October 2011, “to provide guidance and direction for the development, implementation and evaluation of an International Education Strategy for Canada,” and to look specifically at how Canada can attract some of the best and brightest students to Canada. Advisory Panel on Canada’s International Education Strategy, *International Education: A Key Driver of Canada’s Future Prosperity - Final Report*, August 2012.

<sup>239</sup> Budget 2013, *Chapter 3.1: Connecting Canadians with Available Jobs*.

<sup>240</sup> Budget 2013, *Chapter 3.1: Connecting Canadians with Available Jobs*.

<sup>241</sup> DFAIT, *International Experience Canada*.



## b. Canada Brand

Echoing testimony from its other studies, **the Committee’s witnesses repeatedly said that building and promoting a “Canada Brand” would be of tremendous benefit in attempts to raise Canada’s profile in Turkey.**<sup>242</sup> While its effectiveness would come from the brand being tailored to the particularities of a specific target country, even more broadly, in defining the best that Canada has to offer and differentiating Canada from its competitors in all sectors, a “Canada Brand” would serve as an important strategy for Canada beyond the promotion of trade relations. It would showcase the new Canada of today, a country with an outward-looking agenda that is rethinking new technologies in the resource and agriculture fields and that is a world leader in supplying such know-how and expertise. Even so, **education stands out as a key element of how Canada can brand itself and the Canadian advantage in innovation and technology applications. Such a strategy should be urgently implemented in Turkey.** As it did in its other reports, the Committee recommends:

### RECOMMENDATION 5

**That the Government of Canada develop a foreign policy strategy that features a Canada Brand and profiles Canada’s advantages, notably in technology and education.**

## 5. Transferring Knowledge and Technology

The Committee’s governmental and business witnesses were especially eager that Canada partner with Turkey in order to transfer knowledge and experience in various sectors and in the business environment in general.<sup>243</sup> In this respect, they noted that, despite its efforts to develop its research and development capacity, Turkey’s needs are not being met as quickly as necessary to facilitate the country’s economic agenda and develop stronger commercial growth.<sup>244</sup>

Witnesses suggested that cooperation should occur between Canada and Turkey to transfer knowledge, technical advice and expertise about governance, the regulatory environment, licensing and resource management, and in research and development.<sup>245</sup> Notably, they emphasized that such cooperation should offer added value. Turkey’s Minister of Trade and Commerce suggested this transfer of knowledge can occur through exchanges among scientists and technologists, and the country’s Deputy Minister of Energy and Natural Resources said that

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<sup>242</sup> Canadian Consulate, Istanbul, Turkey, 18 March 2013; Roundtable with representatives of Canadian companies, Istanbul, Turkey, 18 March 2013.

<sup>243</sup> Minister of Trade and Customs, Ankara, Turkey, 21 March 2013.

<sup>244</sup> Netaş, Istanbul, Turkey, 20 March 2013.

<sup>245</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013; Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

workshops on renewable energy coordination and nuclear energy are another way to transfer knowledge.<sup>246</sup> As a global mining leader, the Committee also heard during its fact-finding mission that Canada could be a useful partner for Turkey regarding the sharing of knowledge of Canada's regulatory system, governance and mining standards.<sup>247</sup> Turkey is looking to nuclear energy to meet its short-term energy needs and witnesses said that Canadian firms could provide important sources of knowledge and expertise.<sup>248</sup> In particular, they suggested that Canada could be a useful partner, particularly in terms of research, technology transfer and nuclear safety "know-how."<sup>249</sup>

Partnerships to transfer knowledge would build on the tremendous opportunities in technology that exist to advance Canada's commercial relations with Turkey. Turkey is a country that is seeking technology and is making significant investments in information and communication technology.<sup>250</sup> It has a young population, and at 35 million people, ranks 14<sup>th</sup> in the world in the number of Internet users.<sup>251</sup> One of the Turkish government's priorities is that every child should have a computer and, in 2011, it announced the "[FATIH Project](#)," which aims to deliver 15 million tablets to 600,000 classes in 40,000 schools in the next four years.<sup>252</sup> There are also opportunities for Canadian firms to participate in the technology side of the education sector in Turkey and several Canadian companies are already doing so. For example, Canadian firm SMART Technologies, a representative of which the Committee met in Istanbul, is working with the Turkish Ministry of National Education and recently won a tender to manufacture 5000 interactive whiteboards for Turkish educational institutions.<sup>253</sup>

As Turkey's middle class grows and as incomes rise, there may be supply opportunities for Canadian information and communications technology firms. A number of the Committee's witnesses indicated that Canadian supply capabilities are well-matched to Turkish demand in the telecommunications sector.<sup>254</sup> Waterloo-based Blackberry recently opened an office in Turkey and has said that the country is among the European countries in which it wants to increase its presence.<sup>255</sup>

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<sup>246</sup> Minister of Trade and Customs, Ankara, Turkey, 21 March 2013; Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

<sup>247</sup> Roundtable with representatives of Canadian mining companies, Istanbul, Turkey, 19 March 2013; Deputy Minister of Energy and Natural Resources, Ankara, Turkey, 22 March 2013.

<sup>248</sup> Alamos Gold, Istanbul, Turkey, 19 March 2013.

<sup>249</sup> Deputy Minister of Energy and Natural Resources, Ankara, 22 March 2013.

<sup>250</sup> TCCC, 41:1, Issue no. 21, p. 20.

<sup>251</sup> CTBC, 41:1, Issue no. 17, p. 57.

<sup>252</sup> "[Turkish companies want to bring tablets to 15 million students](#)," *TabTimes*, 8 November 2011; EDC, 41:1, Issue no. 17, p. 42; Blackberry, Istanbul, Turkey, 18 March 2013.

<sup>253</sup> Roundtable with representatives of Canadian companies, Istanbul, Turkey, 18 March 2013; Deputy Minister of National Education, Ankara, Turkey, 21 March 2013; SMART, "[Smart Wins Large Scale Education Tender in Turkey](#)," Media release, 31 July 2012.

<sup>254</sup> EDC, 41:1, Issue no. 17, p. 35; TCCC, 41:1, Issue no. 21, p. 8.

<sup>255</sup> Blackberry, Istanbul, Turkey, 18 March 2013.

Witnesses noted that Canada already carries out cooperation on innovation with other countries, such as Israel, and suggested that similar partnerships are possible with Turkey.<sup>256</sup> In this respect, such partnerships would build on the initiatives already in place, including recent visits to Turkey by the Canadian Science and Technology Commission and the president of the National Research Council Canada, and exploratory discussions involving Terry Matthews and Netaş, a former subsidiary of Nortel, regarding research and development opportunities in technology.<sup>257</sup>

In supporting the value of knowledge-transfer opportunities for deepening commercial engagement between Canada and Turkey, as well as for building mutual awareness and understanding, the Committee recommends:

#### RECOMMENDATION 6

**That the Government of Canada consider memoranda of understanding with the Government of the Republic of Turkey in the areas of science and technology, mining and energy.**

### IV. DEEPENING CANADA AND TURKEY COOPERATION IN THE REGION

The Committee agrees with witnesses that Turkey's priorities in its immediate region can be an important base by which Canada and Turkey can deepen their relations.<sup>258</sup> As Murad Al-Katib noted, "When we look at that region of relative, almost-disastrous neighbours, Turkey's position today is one that gives Canada a very significant opportunity to help to shape a region that will be both politically and economically important to our country."<sup>259</sup> In this respect, Canada shares many of Turkey's regional priorities.<sup>260</sup>

In the aftermath of the Arab Spring, Canada has focused on supporting democratic transitions and economic development in order to enhance stability and prosperity in the region. To this end, Canada has provided nearly C\$110 million of development assistance in the region from the Canadian International Development Agency (CIDA). In Libya, Canada not only supported the NATO mission, but it has also provided C\$10.6 million in humanitarian assistance to support post-conflict stabilization, democratization, and strengthening of rule of law. Similar to Turkey,

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<sup>256</sup> Netaş, Istanbul, Turkey, 20 March 2013.

<sup>257</sup> Netaş, Istanbul, Turkey, 20 March 2013.

<sup>258</sup> Alessandri, 41:1, Issue no. 20, pp. 7, 10.

<sup>259</sup> Al-Katib, 41:1, Issue no. 23, p. 38.

<sup>260</sup> Idiz, Taraf Newspaper, Ankara, Turkey, 21 March 2013; Alessandri, 41:1, Issue no. 20, p. 14.

Canada also has commercial interests in Libya's oil and gas sector, infrastructure, ICT, education, and aerospace.<sup>261</sup>

With respect to the Syrian crisis, Canada has come out in strong support of the Syrian opposition and has called for a peaceful transition to a democratic and pluralistic post-Assad Syria. It has also expressed its concerns about the potential escalation of the conflict and heightened threats to regional stability arising from any increased scope of terrorist activities. In an effort to end the conflict, Canada participates in the Friends of Syria group together with Turkey and other members of the international community. Canada also has joined Turkey in imposing bilateral sanctions against the Syrian regime. Notably, Canada shares Turkey's concerns regarding the plight of the Syrian refugees. Canada has provided C\$1.5 million to the Turkish Red Crescent Society to assist Turkey with the presence of the refugees and has offered additional support to Turkey to manage the situation.<sup>262</sup>

Whether it is to encourage the normalization of relations with Israel, persuade Iran's cooperation with the International Atomic Energy Agency (IAEA) regarding its nuclear program, or promote Egypt's economic development with youth employment programs and job training projects, Canada and Turkey have many overlapping interests in the region. Moreover, common engagement concerning Iraq may be facilitated with the opening of Canada's mission in Baghdad.<sup>263</sup>

Turkey's strategic location and links with other countries have already been integrated into the Government of Canada's operations in the region, signalling its value as a gateway in this regard. In this respect, the Canadian diplomatic missions in Ankara and Istanbul, as well as EDC's representation in Istanbul, have been using Turkey as a hub from which they carry out operations in the region. The immigration section in Ankara, for instance, is responsible for permanent residency, temporary residency (including long-term students), study permit, and skilled worker applications from Iran, Iraq, Afghanistan, Syria, Georgia and Azerbaijan. In addition, the Committee learned that Ankara is the coordination centre for any emergencies concerning Canadians that take place in 65 countries in Africa, Europe and the Middle East. EDC's representative office services Canadian businesses in Albania, Bosnia Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia, Georgia, Azerbaijan, and Israel.<sup>264</sup> Canada also uses its base in Istanbul to monitor regional security risks arising from legal and illegal migration through Turkey, as well as drug trafficking and other forms of international crime.<sup>265</sup>

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<sup>261</sup> DFAIT, *Update on the Arab Awakening*, Background note provided to the Committee, March 2013.

<sup>262</sup> DFAIT, *Syria*, Background note provided to the Committee, March 2013.

<sup>263</sup> DFAIT, "[Canada Opens Diplomatic Mission in Iraq](#)," News release, 1 April 2013.

<sup>264</sup> EDC, "[Export Development Canada opens permanent representation in Istanbul, Turkey](#)," News release, 31 May 2011.

<sup>265</sup> Canadian Embassy, Ankara, Turkey, 20 March 2013; Canadian Consulate, Istanbul, Turkey, 18 March 2013.

**Given the strong overlap of priorities, the Committee encourages the Government of Canada to find opportunities whereby Canada and Turkey can intensify the joint pursuit of their common interests,** particularly as dynamics change as quickly as they tend to do in this region and therefore calculations for assistance also change accordingly.

## V. CONCLUSION

The time is right for Canada and Turkey to deepen their bilateral engagement and improve their mutual awareness. The progress and changes experienced by Canada and Turkey over the last two decades, not to mention their respective relatively sound financial systems, has brought them closer to a position where they can now maximize the benefits of their bilateral relations according to a sustained and consistent effort.

In this report, the Committee has chosen to focus on what it considers to be the most opportune and immediately beneficial strategies for achieving such a critical objective. Building on the groundwork already laid out by government officials, businesses and educational institutions, the Committee's recommendations to the Government of Canada about high-level political engagement, business ventures, greater people-to-people ties, and knowledge and technology transfer are intended to lead to even greater opportunities in order to advance Canada's international and commercial priorities.

As the Committee's previous studies on Brazil, Russia, India and China have collectively emphasized, in a world of rapidly changing dynamics, creative thinking and multi-level approaches are key differentiators. Commercial diplomacy is essential, but insufficient in and of itself. A truly coordinated foreign policy, involving expertise in Canada's private, public and civil society sectors, is critical towards the establishment of lasting bilateral relationships. As highlighted in this report, Turkey is no exception to this rule. As Canada continues in its efforts to seize new opportunities in a changing world, a durable and trusting relationship with Turkey fits squarely within our regional, global and domestic interests.



## APPENDIX A – WITNESSES

<b>Meeting Date</b>	<b>Agency and Spokesperson</b>
<b>November 8, 2012</b>	<b>Foreign Affairs and International Trade Canada:</b>  John Kur, Director General, Europe and Eurasia;  Marie Gervais-Vidricaire, Director General, Stabilization and Reconstruction Task Force;  Mark Bailey, Director General, Middle East and Maghreb Bureau;  Jennifer May, Director, Turkey Bureau.
<b>November 21, 2012</b>	<b>Export Development Canada:</b>  Lewis Megaw, Regional Vice President for Africa, Europe and Middle East;  Todd Winterhalt, Vice President, International Business Development.  <b>Canadian Turkish Business Council:</b>  Mike Ward, Advisor to the Board;  Richard Mabley, Business Development Manager.
<b>November 22, 2012</b>	<b>Economist Intelligence Unit:</b>  Robert O'Daly, Senior Editor/Economist, Western Europe.
<b>February 6, 2013</b>	<b>As individuals:</b>  Emiliano Alessandri, Senior Transatlantic Fellow, German Marshall Fund;  Henri Barkey, Bernard L. and Bertha F. Cohen Professor, Department of International Relations, Lehigh University.
<b>February 7, 2013</b>	<b>As individuals:</b>  Ahmet T. Kuru, Associate Professor of Political Science, San Diego State University and Visiting Fellow, Brookings Doha Centre;

Howard Eissenstat, Assistant Professor, Middle Eastern History, St. Lawrence University.

**February 14, 2013 Turkish-Canadian Chamber of Commerce:**

Enes Kula, Executive Director;

Mehmet N. Durmus, Executive Coordinator.

**February 27, 2013 EMCA — Emerging Markets Capital Advisory Inc.:**

Ozan Isinak, CEO.

**March 7, 2013 Alliance Grain Traders:**

Murad Al-Katib, President and CEO.

**April 17, 2013 Middle East Institute:**

Gönül Tol, Founding Director, Centre for Turkish Studies. (By video conference)

Investment Support and Promotion Agency of Turkey:

Murat Özdemir, Country Advisor in Canada.

**April 18, 2013 Languages Canada:**

Gonzalo Peralta, Executive Director.

**Carleton University:**

Bryan Henderson, Director of Professional Training and Development, Norman Paterson School of International Affairs.



## APPENDIX B – TRIP TO ISTANBUL AND ANKARA

NAME	TITLE AND COMPANY
Mr. John Holmes	<b>Embassy of Canada to the Republic of Turkey</b> Canadian Ambassador to Turkey
Mr. Shawn Steil	<b>Consulate of Canada in Istanbul</b> Head of Office and Senior Trade Commissioner for Turkey
Mr. Zenon Woychyshyn	<b>Consulate of Canada in Istanbul</b> Chief Representative, Export Development Canada
Mr. Jerry Murphy	<b>Consulate of Canada in Istanbul</b> Canada Border Services Agency Liaison Officer
Mr. Oguz Kinik	<b>Scotiabank</b> Chief Representative
Dr. Bülent Göktuna	<b>MINEKS International</b>
Ms. Melis Balkan	<b>Centennial College</b> Istanbul Representative Office Coordinator
Mr. Celal Kavur	<b>Ekodan Aviation</b>
Mr. Burak Baktir	<b>SMART Technologies</b> Area Manager, South Eastern Europe
Ms. Jane Jamieson	<b>Digital Opportunity Trust / Springtec International Consulting</b> President, Springtec International
Mr. Alberto Acito	<b>Blackberry</b> Managing Director, South East Europe
Mr. Scott Kilner	<b>United States Consulate General</b> Consul General
Mr. Manoj Desai	<b>United States Consulate General</b> Commerical Consul
Mr. Gianluca Alberini	<b>Consulate General of Italy</b> Consul General

Ms. Françoise Pontois	<b>Consulate General of France</b> Deputy Consul General
Mr. Ahmet Ciğer	<b>TUSKON</b> Vice President
Mr. Şevket Can Tülümen	<b>Independent Industrialists and Businessmen's Association (MÜSIAD)</b> Member of the Board, President of Foreign Relations Commission
Mr. Arda Ermut	<b>Investment Support and Promotion Agency of Turkey (ISPAT)</b> Head of Public-Private Partnership
Mr. Talha Karataş	<b>Investment Support and Promotion Agency of Turkey (ISPAT)</b> Project Director
Ms. Özlem Özyiğit	<b>YASED</b> Secretary General
Mr. Iain Anderson	<b>Inmet/Cayeli Bakir</b> General Manager
Mr. Umit Akdur	<b>El Dorado/Tuprag</b> Deputy General Manager
Mr. Han Ilhan	<b>Alamos Gold</b> Vice President of Projects and Country Manager
Mr. Ertugrul Özkök	<b>Hürriyet Daily News</b>
Mr. Hugh Pope	<b>International Crisis Group</b>
Ms. Barçin Yinanç	<b>Hürriyet Daily News</b> Opinion Editor
Dr. Murat Yalçintaş	<b>Istanbul Chamber of Commerce</b> President, Executive Board
Ms. Öykü Selimoğlu	<b>Istanbul Chamber of Commerce</b> Advisor
Mr. Harun Kaya	<b>Deputy Governor of Istanbul</b>
Dr. Yilmaz Argüden	<b>Turkish Canadian Business Council of the DEIK</b> Chair

Mr. Tamer Bozoklar	<b>Turkish Canadian Business Council of the DEIK</b> Board member
Mr. Ahmet Fak	<b>Turkish Canadian Business Council of the DEIK</b> Board member
Ms. Asli Akeniz Özelli	<b>Turkish Canadian Business Council of the DEIK</b> TCBC Coordinator
Mr. Müjdat Altay	<b>NETAŞ</b> Chief Executive Officer
Ms. Banu Tesal	<b>NETAŞ</b>
Ms. Tulay Yldirim	<b>Embassy of Canada to the Republic of Turkey</b> Agricultural Counsellor
Mr. Philippe Tremblay	<b>Embassy of Canada to the Republic of Turkey</b> Counsellor, Political Affairs
Mr. David Marion	<b>Embassy of Canada to the Republic of Turkey</b> Counsellor (Administration)
Mr. Pascal Laurin	<b>Embassy of Canada to the Republic of Turkey</b> Operations Manager (Immigration)
Mr. Loc Pham	<b>Embassy of Canada to the Republic of Turkey</b> Second Secretary (Commercial)
Ms. Feray Salman	<b>Human Rights Joint Platform</b> General Coordinator
Ms. Dilek Ertükel	<b>National Democratic Institute</b> Country Director
Ms. Nur Batur	<b>Sabah Newspaper</b> Journalist
Mr. Mark Lewis	<b>International Monetary Fund</b> Senior Resident Representative, Turkey
H.E. Mr. Hayati Yazici	<b>Ministry of Customs and Trade</b> Minister of Customs and Trade

Mr. Ömer Önhon	<b>Ministry of Foreign Affairs</b> Deputy Undersecretary
Mr. Semih Idiz	<b>Taraf Newspaper</b> Columnist
Dr. Meliha Benli Altunişik	<b>Middle East Technical University</b>
Mr. Suat Kinikliođlu	<b>STRATIM Centre for Strategic Communication</b> Director
Mr. Volkan Bozkur	<b>Grand National Assembly of Turkey</b> Chair, Foreign Affairs Committee
Mr. Orhan Erdem	<b>Ministry of National Education</b> Deputy Minister
Dr. H. Murat Mercan	<b>Ministry of Energy and Natural Resources</b> Deputy Minister
Mr. Kemal Kılıçdarođlu	<b>Republican People’s Party (CHP)</b> Chairman
Mr. Nazmi Gür	<b>Peace and Democracy Party (BDP)</b> Deputy Co-Chair
H.E. Mr. Francis Joseph Ricciardone	<b>Embassy of the United States of America</b> Ambassador
H.E. Mr. Ian Biggs	<b>Embassy of Australia</b> Ambassador
H.E. Mr. Tahamoana Aisea Macpherson	<b>Embassy of New Zealand</b> Ambassador
Ms. Janet Dougal	<b>Embassy of the United Kingdom</b> Deputy Head of Mission
Mr. Bernard Chapdelaine	<b>Embassy of France</b> Deputy Head of Mission
Dr. Thomas Kurz	<b>Embassy of the Federal Republic of Germany</b> Deputy Head of Mission

Mr. Mehmet  
Süreyya Er

**TIKA**  
Deputy Chairman