

Turkey-U.S. Business Council, Session III

Topic 4.a.

Third country project development and financing

Background

US-Turkish joint business activities have long been benefiting in third countries for quite some time already. Especially in labor intensive sectors, the relatively cheap and highly efficient Turkish labor force has added a great value to US-Turkish joint ventures. Sectors such as overseas contracting, textile and automotive manufacturing are some of those sectors in this category. Considering the new emerging markets such as countries of sub Saharan Africa and countries of Middle East/Central Asia, where frequent political and economic changes occur, flexibility of Turkish businessmen, manufacturing power of Turkish industries as well as geographical location of Turkey allows various business activities to expand rapidly to 58 countries surrounding Turkey which are located within 4 hours of flight time.

Current situation

Today, especially in Africa and Latin America, the increasing influence of Chinese business model has created a new appetite for emerging countries with big infrastructure and development ambitions. Those emerging countries are already looking for alternative partners, companies as well as alternative business models to continue their growth programs.

Recommendations :

US-Turkish joint ventures willing to create bigger and more sustainable business opportunities in those new markets must develop green field construction projects on design and build principal whereas both countries goods and services can be utilized during the execution of those projects including architectural and engineering services. A big potential in this line of business exists in power generation whereas equipment can be supplied from US and workmanship can be performed by Turkish partner. Another untapped line of business is concessional

management contracts (PPP,BOT,BOO etc.) for operation of ports, airports, toll roads, municipal utilities and all kinds of service related projects whereas US know-how combined with Turkish human resources creates competitive value.

In the manufacturing field there are also great opportunities especially in those countries which are parties to free trade agreements or preferential tariff and trade programs with US which allows them to manufacture a variety of goods to be imported by the US. An example of that is Moldova. Today a manufacturer having its factory in Moldova can export a wide variety of products to the US enjoying preferential tariff treatment. Similarly, Senegal and some other countries are ready to benefit from the same model. US and Turkish companies working in a variety of sectors should join forces and establish new factories in those strategically preferred third countries to create a more competitive business not only for sales to the US but for other third country markets.

A critical issue is financing. That's where both US and Turkish Eximbanks are needed as well as other sources of financing. Usually those emerging third countries governments require the foreign business partners to bring along financing as a part of the commercial proposal. In order to be able to provide that financing option procedures usually take up to 6 months or even more depending on the size and complexity of the project. This duration is very long and sometime can become frustrating. To avoid the time loss and loss of interest; a fast track application desk should be formed by both Eximbanks simultaneously in Washington and in İstanbul to start processing various projects coming from third countries and be able to give a term sheet within 4-6 weeks, finalize the loan agreements within 12-16 weeks.

Another issue is the terms and conditions of those loans offered by the Eximbanks. Although there is a collaboration agreement signed by both Eximbanks beginning in 2016, the interest rates and duration of loans still are regulated by OECD rules. The potential third countries which will prefer to benefit from US -Turkish business and related financing options might request lower interest rates and longer durations. To be able to meet such requests US and Turkish governments should try to create a joint development fund to be able to finance potential joint projects coming from those third countries.

When doing all of these the essential goal should be to create a sustainable information exchange and networking platform for both US and Turkish companies which are interested to collaborate on the same subjects and in the same countries. Both governments should encourage the relative institutions and NGO's to support such platforms.