Interview: Chris Gaunt – Chairman, British Chamber of Commerce in Turkey



26.05.2015

Tags: association, chamber of commerce, doing business,

The chairman of the British Chamber of Commerce in Turkey, the second oldest foreign British chamber in the world, discusses their efforts to increase investment in high value added services in Turkey, particularly R&D, and the domestic production of innovative products.

As the the second-oldest British chamber in the world, dating back more than 100 years, the BCCT has had a long history in managing relations between the UK and Turkey. For our readers, give us an overview of where the BCCT stands today, and what your priorities have been since coming into office as chariman.

Aligning with UKTI's export initiatives, the BCCT has significantly expanded the scope of its services and capabilities over the years in order to adequately help member companies operate successfully in an increasingly competitive local environment. We've reached the point in time where organizations like chambers and other business NGOs have to really focus on being business-facing organizations. As such, our priorities have centered on shifting the BCCT's long-standing social culture into a more business-oriented environment, suitable for professional guidance and service offerings such as market entry, research, tax, legal, and financial advisory—a whole package of expertise to ensure UK companies have a soft landing in Turkey's competitive landscape. In the wake of our efforts, BCCT's board has accumulated representation from some of the largest investors in Turkey, including HSBC, BP, Shell, Vodafone, RBS, and Standard Chartered Bank. It's taken us now about a year and a half to get us to this stage, where we have new offices

fit for purpose, with a highly capable and experienced team to deliver quality services for UK companies looking to conduct business in Turkey and vice versa.

What makes Turkey such an attractive market for your members?

Primed for international commerce, Turkey has a structured business environment, a high level of manufacturing potential, and a geo-strategic location that connects key markets across the Middle East, Central Asia, and North Africa. For SMEs and even large corporations, operating in an emerging market brings its own set of challenges. However, compared to countries such as India, Mexico, or Brazil, Turkey's business capabilities are more characteristic of a developed market, especially in regard to the business community's understanding of corporate governance, transparency, and communication. Even when considering salaries of mid and senior-level executives in major Turkish companies, compensation grades are similar, if not the same as the UK. In terms of its manufacturing, the country is not a low-cost, low-price provider, but a high-value manufacturer with tremendous capabilities. Collectively, these advantages place Turkey in a far better competitive position when compared to its peers. In that respect, it's obvious why the UK has been one of the largest investors in Turkey over the last ten years.

As a part of its 2023 vision, the Turkish government wants to transform Turkey into one of the ten largest economies in the world. Please describe the extent that foreign direct investment (FDI) will play in achieving that vision.

Bi-lateral trades between the UK and Turkey total USD 14 billion — 65 percent of which are exports from Turkey to the UK. Moving forward, the UK will be looking to increase exports and FDI into Turkey, especially in energy and renewables and information and communication technology (ICT). When considering FDI from Turkey to the UK, there's currently little volume, but we've seen very real evidence of that changing in 2014. The door has now been opened by Yildiz Holding, the largest confectionary company in Turkey, which acquired Godiva Chocolatier seven years ago. Last year, they purchased United Biscuits, the biggest biscuit manufacturer in the UK for around USD 2.8 billion. That's the first major investment from Turkey to the UK, which will be an indicator now for other Turkish companies to look at the UK as an investment opportunity. If nothing else, this transaction showcased the transparency and ease at which investing in the UK entails. It clearly demonstrated to Turkish companies that doing transactions of that size with the UK is not difficult, provided you have all the components in place. That's not quite the case when you're dealing with Russia, China, or other emerging countries.

Despite Turkey's economic growth, the country has struggled to attract investments in domestic R&D and innovation. How are your member companies helping to tap into the country's export potential and encourage local production of more high-level technology products?

Most Turkish companies will tell you that the country has excellent production manufacturing capabilities and a strong engineering culture, but that until recently, this capability has been used to produce for other people and brands. In the textile industry, for example, there are no real Turkish brands, but they produce high quality textiles for foreign premium brands. You can say the same for other sectors as well—even pharmaceuticals. The country has strong local pharma producers, but they tend be more focused on generics rather than R&D and innovative products. The hope is to eventually move further up the value chain, produce higher value-added products, and create domestic brands that are recognized on a global scale. With its capabilities in design, innovation, and R&D, we believe the UK can help them do that. To some extent, it's already happening in some sectors that we've been involved in. For example, one of our members, Beko, has recently partnered with two UK universities to develop R&D and accelerate innovation for the company's consumer electronics business. In line with the government's initiatives, our priorities are also centered on enhancing Turkey's intrinsic value by encouraging strategic partnerships that stimulate innovation and domestic R&D.

How do you view the relationships between multinational and local companies in terms of their willingness to partner together?

For any British SME that wants to come to Turkey, we feel that a local strategic partnership is the best starting point, and if needed, the BCCT will provide assistance in finding the right partner that is fit for collaboration. Partnership models are something that the Turkish business community understands well. It's a model that the Turkish business community prefers, whether they have an international connection or not. It's also a model that we encourage British companies get involved in—where you have the local know how and the local best practices combined with British innovation and technology to produce a win-win situation. Especially when it comes to pervasive industry issues in pharmaceuticals, such as pricing and R&D, or even just working with the government's agenda, strategic joint ventures are the key to thriving in any foreign competitive landscape.

Given your extensive international experience in the consumer goods industry, what ultimately motivated you to become a part of the British Chamber of Commerce here in Turkey?

As a part of its 2020 export initiatives, the British government recognized a need for supportive ecosystems abroad, particularly in emerging markets, to help SMEs and large corporations conduct business with foreign markets. The UK already had a network of UK Trade and Investment (UKTI) offices around the world, but the focus was to bring together other business NGOs that were also in these markets in order to give us far more presence on the ground and a have consistent level of experience. There have been many British expats with a lot of professional experience that decided to settle down in these emerging countries, namely Turkey, but weren't being utilized in the most effective way. As such, when this opportunity with the BCCT came up, I wanted to be a part of it and personally take the organization through its first phase of development.

What is your vision for the future growth and development of bilateral trade relations between the UK and Turkey?

In the short-term, steadfast development will be a work in progress. But knowing the Turkish business community, and its historic ties to the UK, our relations will be resilient. Turkey possesses the basic fundamentals and dynamic of any developing nation. With half the population under 30, a growing middle class, and a well-educated workforce, Turkish people have demonstrated time and time again their keen sense of commerce and their willingness for self-improvement in the context of a increasingly globalized economy. With Turkey's ambitious 2023 goals and the country's development so far, I'm optimistic for future collaborative opportunities between the UK and Turkey.

Click here to read more articles and interviews from Turkey, and to download the latest free pharma report on the country.

See more interviews