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The president of the Investment Office of the Presidency of the Republic of Turkey, Burak Dağlıoğlu, outlines the country's current economic situation after posting the second-highest GDP growth among G20 countries in 2020, highlights the crucial role of the life sciences industry during the pandemic and the opportunities available for international investors in the sector. In addition, he explains the government's objectives to improve the healthcare system and industry in the upcoming years, including a revamped focus on R&D, digital health and biotechnology.

What is the status of the Turkish economy and healthcare industry? What are the indicators that investors should be looking at?

The Turkish economy reached an average growth rate of 5.1 percent between 2003-2020. In 2002, the export volume was USD 36 billion and, by 2020, it reached approximately USD 170 billion. I would like to point out that Turkey has attracted USD 225 billion of foreign direct investments (FDI) since 2003. Thanks to successful macro policies, uninterrupted reforms and political stability, the Turkish economy has demonstrated that it is robust, resilient, agile and flexible.

For more than a year, we have been dealing with a global health crisis that has affected the entire world. Fortunately, Turkey's healthcare sector has succeeded and news about it was reflected in

the international media and recognized by academics. The government is very careful about keeping overall economic activities on track while protecting public health. According to IMF, in 2020, Turkey recorded the second-highest GDP growth among G20 countries, becoming the world's 11th largest economy in terms of purchasing power parity. In the first quarter of 2021, it maintained its position with a growth of 7 percent; 56 percent of this growth rate resulted from net exports and investments, which is an indicator of balanced and healthy growth.

According to the United Nations Conference on Trade and Development's (UNCTAD) figures, global FDI dropped by 35 percent in 2020 but Turkey outperformed that number after reporting around USD 7.8 billion of FDI in 2020, a 15.5 percent.

Turkey attracted greenfield and expansion investments plus merger and acquisition projects in various industries and verticals. We have witnessed rising interest from financial investors, successful funding of startups and exits with lucrative returns in 2020. In the last year, the Turkish entrepreneurship sector has seen four unicorn startups, companies valued at USD 1 billion or more. In this context, the sustained economic growth and strong healthcare industry have proven the resilience of Turkey.

Since 2003, together with the strong political leadership, reforms have been carried out to strengthen the investment environment in Turkey. Also, in the first quarter of 2021, President Erdoğan announced a new innovative reform package, focusing on the economy and legal system. That reform package included policy changes to increase Turkey's participation in global value chains. We believe the new reforms will increase predictability, reduce red tape, and offer quick solutions to any issue encountered during the investment process.

In addition, Turkey's FDI Strategy (2021-2023) has been published in the Official Gazette. A target-oriented FDI strategy will provide the nation with a clear roadmap for attracting value-added, knowledge-intensive investments, which create high-quality employment. Our main objective in this strategy is to enhance Turkey's share in global FDI by 50 percent. Turkey currently accounts for approximately 1 percent of global FDI flows, with a goal of increasing that to 1.5 percent.

Turkey has become a regional hub in terms of R&D, design, production, logistics and management for investors especially in the life sciences industry because of the reforms, incentives, strategic location, high-skilled workforce, and robust and resilient economic structure.

We are confident that Turkey will take investments to the next level, reinforcing its position as a safe haven in the region for decades to come.

What is the Investment Office’s role in ensuring robust FDI inflows in areas that positively impact both the Turkish economy and people?

As the Presidency of the Investment Office, we operate to bring new investments to Turkey that will support growth and economic development and to ensure that existing investments can function more efficiently. In line with this purpose, we focus on presenting Turkey’s investment opportunities to investors in the most precise way.

Our goal is to increase the quality and diversity of the investment, attracting more qualified investments to Turkey. We believe that we can achieve this by attracting new value-added and technology-intensive investments to Turkey. Thus, e-mobility, life sciences, energy storage, chemicals-petrochemicals, information and communication technologies, machinery and high-quality manufacturing technologies, defense, aviation and agri-food are among the priority sectors we support.

Our institution tries to ensure that all investments are in line with the United Nation’s Sustainable Development Goals (SDGs), which include responsible production, sustainable development, green energy, and green economy goals. We are conducting studies that will boost business and regulatory compliance with the UN SDGs and the European Green Deal. Apart from these, we also focus on financial investments such as private equity and venture capital investments.

Why has life sciences been selected as a strategic industry and what expectations does the Turkish government have about this sector?

The pandemic we have been fighting for the last year has reminded us of the importance of the healthcare sector and industry. As a country, becoming one of the top 10 economies in the world and developing domestic technologies are among our goals, something that requires a healthy population.

FDIs have played a crucial role in the progress made by the Turkish healthcare industry and research ecosystem. The importance of health investments is clearly seen both in Turkey’s needs and competencies and in global FDI mobility; we want to get the share we deserve in these global health investments.

Investments, including smart health and clinical technologies, which are based on R&D and innovation, and which contribute to the development of our domestic opportunities and capabilities, have been targeted. We aim to make Turkey the leading country in the region in clinical research.

In accordance with this vision, Turkey's 11th Development Plan and the New Economy Program has decided on the following objectives: supporting R&D production activities from SMEs and other enterprises in the pharmaceutical and medical device industries; the development of export-oriented, high value-added products; improving the biotechnological ecosystem; providing a purchase guarantee for advanced technology investments; implementing projects in disease prevention with early diagnosis and treatment; digitization of its health services and implementation of telemedicine applications that will enable remote health services to be provided.

Lastly, President Erdogan announced that a Healthcare Industries Presidency will be established in a new economic reform package. This new structure will nourish the domestic ecosystem by helping boost rates of domestic goods and services in healthcare.

In short, we, as a country, follow, attach importance and support the life sciences industry with all our relevant institutions. The government continues to make policies in line with new developments and supports the growth of the sector; we focus on forward-looking strategic solutions. In this context, we do not hesitate to collaborate with all stakeholders. We believe that together we can accelerate the realization of our common goals, such as a healthy population and a sustainable planet.

Considering that cultivating a life sciences ecosystem can be a long and costly march, what are the key areas in which Turkey excels and the assets it possesses that it would like to share with international pharma and biopharma sponsors?

Over 20 multinational pharmaceutical companies have done sizeable investments, improving the country's medical technology ecosystem. With health expenditures exceeding USD 35 billion as of 2019, Turkey is a centre that attracts the attention of the global health ecosystem, particularly pharmaceuticals and medical technologies.

Furthermore, thanks to its strategic position, Turkey has efficient access to raw materials and markets in its region, as well as a young, dynamic, and qualified talent pool, plus a large production capacity.

Turkey has the potential to produce with high quality in many different sectors and product groups; its production systems are supported by reliable, economical, logistics and commercial services. This is why many leading multinational companies have chosen Turkey as an R&D, design, production, export, logistics centre or regional headquarters. The Turkish pharmaceuticals market is the 18th largest in the world with nearly USD 7 billion value, and the industry has improved greatly in the field of biotechnology.

How does Turkey stand out from other “emerging markets” in the eyes of pharma and biopharma investors, considering the loss of appeal of those countries due to relatively slow growth and opportunities in more mature markets?

I believe Turkey is positively differentiated from the rest of emerging markets, especially in the life sciences sector, thanks to its resilience which has been proven through investments in the last decades. In a recent analysis by the credit rating agency Fitch, Turkey is indicated as an enticing destination for relocating investors. Turkey is an ideal place for multinational companies looking for diversification of their supply chains.

The importance of Turkey’s ambitious prior investments in healthcare became clear during the pandemic. City hospitals, which were built in recent years through a public-private partnership model, have become a key instrument in our fight against the pandemic. Numerous international investors played an active role in those projects.

The prospect for Turkey looks brighter. According to the OECD, the Turkish economy is expected to grow by 5.8 percent in 2021. Strong economic recovery is also expected in European Union, which is Turkey’s main trade and investment partner. This will help export-oriented companies recover faster and contribute to the nation’s economic expansion.

Turkey is a growing G20 economy, which uniquely connects the East and the West. Our diversified economy, entrepreneurial business culture as well as young and tech-savvy population offer lucrative opportunities. The Presidency of the Investment Office is the right place for international investors seeking to solve any issues. We are ready to provide coordination and support to international investors in business dealings with ministries, local administrations or other public institutions.

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