

# Interview: Christopher Gaunt Chairman of British Chamber of Commerce in Turkey

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10.08.2018

Tags:

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*Christopher Gaunt, chairman of the British Chamber of Commerce in Turkey, analyzes the relationship between the two countries and the ongoing development of their relationship, in addition to how UK companies can bring their experience and knowledge about public-private partnerships to the country and further strengthen economic and bilateral trade.*

## **Three years since we last met you, what is your current assessment of British foreign direct investment into Turkey?**

After three years, the intent is still there, with Turkey still positioned as a priority market for the UK government and the Department for International Trade (DIT), who are responsible for maintaining strong and sustainable trade links for UK exporters and investors. The UK continues to have strong trading relations with Turkey, and since 2006 we have increased our exports into the country by 26 percent. The overall bilateral trade value is worth in the region GBP 16 billion, based on consistent mid-teens double-digit increases over the past five years. Furthermore, Turkey is one of the UK's major trading partners within Europe, and the UK is Turkey's third largest export market, emphasizing the important trade relationship between the two countries.

Analyzing FDI, the UK is the third largest investor in Turkey over the last five years, mainly in services, defense and security. Following the coup, there has been a more cautious approach to FDI, with investors taking a wait and see position, having said that we are beginning to see more positive indicators and deals being done. The Government is creating new incentives to increase the appetite, but more needs to be done. However, with Turkey, investors have to take a long-term position given the country still has tremendous headroom for growth. The country's fundamentals are strong; dynamic demographics, with the majority of the population under the age of 30, a well-educated workforce, growing economy and world-class companies, particularly in construction, textiles and an emerging technology capability.

Turkey is a strategic hub for global and multinational companies operating in the Eurasia/Mena regions and provides a platform not only for the domestic market but access to its neighboring emerging markets, with Turkish construction companies leading the way with major projects in the Middle East, Central Asia, North Africa and Russia.

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## **What have been the most recent reforms to improve the ease of doing business in the country?**

The economy has gained strength driven by government incentives to increase consumer spending, investment in construction and infrastructure projects, although we are currently struggling with rising inflation and Turkish lira devaluation, but the underlying economy is strong and resilient. We now hope to see positive action taken by the government to activate reforms to stabilize the economy and slow down their expansionist fiscal policy. This debate is being closely monitored by foreign investors who need to be reassured that the economy is stabilized and its growth potential remains. Government reforms are always at the top of the agenda for the administration and there have been a number of reforms recently recommended, but they need to be implemented in a timely manner. Delaying may bring about further negative consequences and slow Turkey's economic growth. The British Chamber along with other International Chambers of Commerce collectively lobbies the government on these issues together with the speedy implementation of reforms in order to sustain Turkey's GDP growth which in turn will attract more investment and increase bilateral trade. Turkey is and has been one of the fastest growing economies over the last ten years within the OECD countries, so it would be disappointing to see short-term political policies undermine these achievements.

## **With the UK's impending exit from the European Union, what is your opinion of Turkey becoming the trading partner of choice for the UK?**

Brexit is a subject that has been testing the creativity of both the British and Turkish governments, mainly because Turkey has a customs agreement with the EU, although the relationship between the EU and Turkey remains fragile.

Given the opportunity, the Turkish government has used the UK's exit from the EU to argue their own EU relationship issues.

In order to maintain an open and constructive dialogue with Turkey on our post-Brexit relationship, Turkey has hosted numerous UK Trade and Ministerial representatives since the Brexit vote; including the Prime Minister supported by the DIT trade team.

These visits amount to more than any other EU or OECD countries, which clearly indicates the importance the UK Government attaches to its trade with Turkey. Although the final outcome is still not clear, the two countries have a very amicable relationship on which to build and enhance bilateral trade for the benefit of both countries.

Together with the DIT team, BCCT's role is to promote Turkey to UK exporters and investors and build strong, sustainable relationships once market entry has been achieved. Our main responsibility is to provide high-level quality business services which support and facilitate market entry strategies which ensure that British companies entering Turkey are fully aware of the business culture, market/sector potential, together with partner/distributor matchmaking, legal, tax, and regulatory advice, a local entity set up etc.

A new initiative set to evolve in the run-up to and following Brexit involves UK Export Finance (UKEF), a government agency providing insurance, payment guarantees, and funding at competitive interest rates. The UKEF proposition is geared to support UK companies looking to export/invest abroad pre and post Brexit and will feature strongly in negotiating new free trade agreements. UKEF has representatives in nine countries, including Turkey.

The funding criterion has to guarantee a substantial % of products, materials, services, investment sourced in the UK from UK companies. Project funding can vary depending on UK content but can exceed 80% of the total. Project funding has already started in Turkey with several transactions in the pipeline with Turkish companies, UK partners and suppliers. More detailed information can be seen on the UKEF website: [www.gov.uk/government/organisations/uk-export-finance](http://www.gov.uk/government/organisations/uk-export-finance).

## **What have been the main challenges for UK companies in the healthcare and life sciences sector?**

The big UK firms such as GSK and AstraZeneca have had their fair share of ongoing pricing and localization issues, with the government keen to see foreign companies producing in the country as

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opposed to simply importing. Furthermore, the government would prefer to see a lot more R&D and other investments which help grow the Pharma sector and the indigenous Pharma Companies, together with increasing the potential for Turkey to become a regional supply hub. In addition, we have seen considerable interest and activity from UK companies interested in Public-Private Partnerships (PPPs), and before the coup, we launched numerous events for UK companies who were planning to realize some of the opportunities on offer. Many companies we serious about getting involved in these partnerships, especially because the UK has a lot of experience in this area, some good some bad, but it is experience nevertheless. Unfortunately, after the coup, the interest fell sharply but has not vanished completely. Recently DIT/UKEF held a large Turkish constructors event in London where GE Healthcare signed a contract with the Turkish construction company to supply equipment and technology from the UK to a new PPP hospital in Gaziantep. [related\_story]

**Having worked at the British Chamber of Commerce for the past five years, what are your priorities for the next five years?**

To continue to build on the success achieved over the last five years and maintain our high level of client satisfaction.

Given our strong value exchange proposition, we expect to attract more members to our substantial network both in Turkey and the UK which in turn will provide a sustainable revenue stream for future expansion. We will aim to consolidate a long-term strategic partnership with DIT and work closely with our colleagues in the British Chambers of Commerce in UK.

Investors who have a long term commitment to Turkey will not be disappointed, provided they can navigate the variable currents and deal with the turbulence associated with emerging markets and at the same time keeping the momentum moving forward. There is still business to be done in the country and the headroom for growth provides for new opportunities. The fundamentals of Turkey are still strong, and I advise investors to make the move to Turkey sooner rather than later in order not to miss the long term benefits.

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