

International Retailing: Team Proposal For Operating A Business In Istanbul, Turkey



Faha Ghauri, Musarat Merchant, Rehat Reya, Faye Tzikas, Kaynait Zafar

New York City College of Technology

BUF 3300

Dr. Alyssa Adomaitis

9/17/2020

## 1. Why we chose Istanbul Turkey (Faha Ghauri)

Istanbul, Turkey is one of the world's most beautiful places that is rich in its history, architecture, culture and textiles. It is home to one of the world's most breathtaking historic sites known as the Hagia Sophia which means “holy wisdom” it is also referred to as the Sultan Ahmet Mosque and the Blue Mosque. Many tourists throughout the world come to Istanbul, Turkey to visit the Blue Mosque to witness its grand structure and embrace what it felt like to be a part of the Byzantine Empire. This mosque was actually built as a Christian Church at first by the Byzantine emperor Justinian I in the 6th century CE (532–537). However, during the Ottoman era in 1617, Sultan Ahmet built a mosque in its place and had it renovated with beautiful domes and minarets. Ever since then this place of worship with its outstanding architectural design has been on the bucket lists of places to visit for many. Istanbul also has its very own Modest Fashion Week! This is why we decided to place our Modest Beauty brand right near the heart of Istanbul.

Inspired by the beautiful and intricate textiles and the exceptional leather quality of Turkey, Modest Beauty was born. With these resources we were able to come up with products such as leather sandals/slippers, purses/handbags, modest silk dresses, hijabs/scarves and jewelry! Another positive thing about doing business in Turkey is the low operating costs. Since the Modest Beauty team is originally from the United States the dollar rate when converted to Turkish liras is 7.50 liras for one U.S. dollar and 1 Turkish lira is only 13 cents in the U.S. Also, for foreign investors like us who have the Investment Incentive Certificate (IIC) “are granted to the incentives as follows: VAT and custom duty exemption, tax deduction, social security

premium support, interest rate support, land allocation, VAT refund, and income tax withholding support". (Doing Business in Turkey, 2019) Additionally, foreign investors like us can feel at home in Turkey because they offer citizenship to people who do business with them.

## 2. Is Turkey Politically Stable? (Rehat Reya)

Turkey is currently politically unstable. For more than 15 years, Turkey was governed by the same government, but the economy went down and lost its worth. Protests and demonstrations have been taking place throughout Turkey and could occur at short notices, especially in major cities against the unrest. In 2001, Turkey faced economic collapse as a result of a harmful cycle of military coups. This is when Recep Tayyip Erdogan came to power as Turkey's President (Sheppard, 2019). He introduced many political changes in Turkey to fight against government corruption, promote economic growth and began to maintain foreign relations.

Political revolution across the Middle East disrupted Turkey relations with other Arab nations. It created a lot of political opponents to Erdogan. He had fallen out with Islamic scholar Muhammed Fethullah Gulen. Political opponents for Erdogan led an attempted military coup against him in 2016, but the coup was failed as the plot was discovered by Erdogan's camp (Jazeera, 2017). This failure led to the killing of 251 civilians and 2,200 were wounded. In 2018, Turkey's 95 years of Parliamentary system was replaced by Erdogan with a presidentially led government. But still Turkey remains politically unstable as result of economic issues, security

challenges and politically divided electorate. Turkish President demands Istanbul mayoral election, as Turkish economy continues to collapse. The uncertainty about elections leads to a decline in the value of currency which reduces the confidence of foreign investors in Turkey.

### 3. Is Turkey economically stable? (Kaynait Zafar)

Turkey is known as the leading producer of agricultural products such as textiles, motor vehicles, transportation equipment, construction materials, consumer electronics, and home appliances. Turkey has a mixed economy with a combination of centralized economic planning and government regulation. “Turkey’s economic freedom score is 64.4, making it's economy the 71st freest in the 2020 Index. Its overall score has decreased by 0.2 points due to a lower fiscal health score” (The Heritage Foundation Team, 2020). Turkey ranks 36th among Europe's 45 countries and its overall ranking is just below the regional average and above the world average. For more than a decade the Turkish economy was moderately stable. GDP growth was stable until 2018 when a crisis in the currency and debt forced the economy into recession. It has undergone rapid industrialization, positioned itself as a manufacturer of diversified products and services, and secured an ever-expanding presence in the global economy as a trading partner.

Turkey has been trading partners with the United States and has grown stronger economic ties. “Since 2003, U.S. goods exported to Turkey have risen 316 percent, while U.S. goods imported from Turkey have risen 76 percent” (THO, 2020). Since 2007, the U.S. companies in Turkey have risen to 50 percent. The U.S. and Turkey have worked together to increase bilateral trade and investment. “Even more importantly, Turkey’s own consumer base

and its connections to business opportunities through its 17 Free Trade Agreements and 82 Bilateral Investment Treaties with nations throughout Central Asia, the Caucasus, the Middle East, and Africa make it an attractive partner for U.S. businesses” (THO, 2020). The benefits in Free Trade Agreements are having a national income, social welfare, and competitiveness of partner countries in the global economy, establishing a strong business climate that increases investments. Many U.S. companies which are General Electric, Amgen, 3M, Sikorsky Aircraft, Pfizer, Intel, Coca-Cola, UPS, Cargill, Microsoft, Citibank, and Ford have been operating in Turkey.

#### 4. Is Turkey developed? (Musarat Merchant)

Turkey is one of the biggest quality textile manufacturing countries in the world, it “is mostly known as a hub for fashion manufacture. The country has 59,000 companies in textile, footwear, and apparel manufacturing, which yearly produce over 65 billion dollars per garment and fashion goods” (Fashion United Business Intelligence Team, 2016). Moreover, in this age of technology, Turkey is no far behind than the G7 as the country has “invested heavily in technology over the past two decades. The number of internet users in Turkey has surged from just three percent in 2000 to 44% today, and 96% of the population now owns a mobile phone. The Turkish people are increasingly interconnected and technologically advanced, and it’s having a ripple effect across many aspects of life in the country – from education and infrastructure to business and research” (THO, 2020). Knowing that it is a developed country with a trusted economy, we have made a decision to work in Turkey.

We are concentrating on the Turkish city named **Istanbul**, which was known as Constantinople for centuries. Istanbul is the fifth most popular tourist destination (city) in the world as it is fully developed and has always been known as the **financial capital of Turkey**. “Considered a global city, Istanbul is one of the fastest-growing metropolitan economies in the world. It hosts the headquarters of many Turkish companies and media outlets and accounts for more than a quarter of the country's gross domestic product” (Earth Watching Team, 2020). Trade wise, Istanbul is not only the largest city in Turkey but also has the biggest port with ancient ties to the strategic location of the Silk Road and the Mediterranean Sea route.

Since we are a business that offers modest apparel and accessories for fashion-forward women, there is no place better than Istanbul, Turkey that has a market for it as “in 2020, *Modest Fashion Week* will be the capital of the Modest Fashion in Istanbul” (MFW, 2020). The fact that out of all countries Turkey was picked to host a fashion week in its modest fashion capital city, really made us visualize the caliber of Istanbul, Turkey as the focal point of our business operations.

<https://www.greecetravel.com/turkey/istanbul/istanbul-ferries001.jpg>

Image Source. Hagia sophia

#### 5. Turkey's stability before and after Covid 19 (Faye Tzikas)

The economy of Turkey had been strong and healthy up until 2018, when the country entered an economic recession, due to a currency and debt crisis. However, the ability of Turkey's economy to recover quickly “is due to solid public finances, well-capitalized banks,

and a dynamic and diversified private sector” (The Heritage Foundation, 2020). Turkey mainly has a free-market, and diverse economy, a reality which is strongly influenced by its industrial and service divisions, but in general, agriculture is the source of 25 percent of employment in the country. Despite a past of political stability and resilience, a 2018 currency crisis brought about instability in politics, as well as substantial pressure on the country as a whole (The Heritage Foundation, 2020). Property interests are securely recognized and enforced, with a reliable policy of record keeping. Overall, Turkey’s financial and political systems are shifting towards a reality of clear and effective communication and competitiveness.

Turkey was hit by the reality of the Covid-19 pandemic relatively late compared to the rest of the world, on March 11, but this hit was quick to expand to the entire country, surpassing the United Kingdom and even China. The country fits into the group of countries that were quick to effectively respond to and handle the virus, through testing, tracing, and movement restrictions, as stated by Dr. Jeremy Rossman, Lecturer in Virology at the University of Kent (BBC,2020). The city of Istanbul was the epicenter of the pandemic in the Turkish region, with a total lockdown of the oldest and youngest populations, limited transportation, and curfews.

Medical professionals in the country seemed to be very well prepared to tackle the virus ever since day one. They remained on alert, and worked countless hours at hospitals, in order to prevent a terrible spread. Turkey also seems to have adopted and used the hydroxychloroquine medication early on, which in combination to quick testing results, has been largely successful in virus management (BBC,2020).

Overall, Turkey has made some mistakes as a country, with leaving country borders open for too long. At the same time however, the country's advantages during this pandemic have been the large young population, as well as the large number of available ICU beds (BBC,2020). In the beginning of it all, there were close to 3,500 positive cases on a daily basis, but now, after careful management, the daily cases have officially dropped to about 1,000 positive cases, and it is up to the Government, city and country officials, as well as the public, to work together, and follow the health guidelines, in hopes of complete recovery.



### References

Benefits of Establishing a Business in Turkey. (2019, February 12). Retrieved September 17, 2020, from

<https://doingbusinessinturkey.com/benefits-of-establishing-a-business-in-turkey/>

Earth Watching Team, E. (2020). Istanbul, Turkey. Retrieved September 16, 2020, from

<https://earth.esa.int/web/earth-watching/change-detection/content/-/article/istanbul-turkey>

Fashion United Business Intelligence Team. (2016). Fashion Statistics Turkey. Retrieved

September 16, 2020, from <https://fashionunited.com/statistics/turkey/>

Guerin, O. (2020, May 28). Coronavirus: How Turkey took control of Covid-19

emergency. Retrieved September 17, 2020, from

<https://www.bbc.com/news/world-europe-52831017>

Jazeera, A. (2017, July 15). Turkey's failed coup attempt: All you need to know. Retrieved

September 16, 2020, <https://www.aljazeera.com/news/2016/12/turkey-failed-coup->

[attempt-161217032345594.html](#)

MFW, M. (2020). About: Modanisa: Fashionweek. Retrieved September 17, 2020, from

<https://www.modanisafashionweek.com/about/>

Modanisa Fashion Week: ISTANBUL 2020: Add to your calendar. (n.d.). Retrieved

September 17, 2020, from <https://www.modanisafashionweek.com/>

Sheppard, C. (2019). Speaker explains political instability in Turkey. Retrieved September

16, 2020, from

<https://dailyeverygreen.com/59969/news/speaker-explains-political-instability-in-turkey/?print=true>

The Editors of Encyclopaedia Britannica. (2020, August 05). Hagia Sophia. Retrieved

September 17, 2020, from <https://www.britannica.com/topic/Hagia-Sophia>

THO, T. (2020) Turkish Heritage: Technology. Retrieved September 16, 2020, from

<https://www.turkheritage.org/en/issues/economy>

Turkey. (2020). Retrieved September 16, 2020, from

<https://www.heritage.org/index/country/turkey>