

COVID-19

INDUSTRY REPORT TURKEY

**Author: Mehmet Yildirimli & Yasemin Öztürk, Swiss Business Hub
Turkey**

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1 CURRENT SITUATION

The Swiss Business Hub Turkey (SBHTR) drafted a short market research on the current COVID-19 situation in Turkey and how does it affect the Turkish economy. Furthermore, this paper will be used to obtain the opportunities in the Turkish market during and after the COVID-19 crises and how SBHTR/S-GE can support with its products and services the Swiss companies entering the challenging market in Turkey. Every crisis offers new chances and new opportunities to stabilize or to grow the business.

The information on this paper is from various sources: desk research, Turkish companies, Swiss companies, various consulates in Istanbul, Swiss Embassy in Ankara, conferences, and many more organizations, which are aware of the Turkish market and its current situation.

Turkey was one of the countries that had no case of the COVID-19 until March 11 when the Turkish government reported its first case. Since then the number of infected people has increased dramatically and the country has surpassed many other countries in no time. The Turkish government stated more than 158 thousand infected and almost 4.397 deaths by May 27, 2020.¹

Turkey took all necessary precautions against the further spread of the coronavirus. Anyone wishing to travel within Turkey needed official permission. There was a general curfew at weekends. Schools, universities, restaurants, cafes, bars, and cinemas remain closed. Mosques were closed as well and games in the main sports leagues have been postponed for an indefinite period. Trade fairs and conferences were postponed or canceled entirely. Starting from June 1, 2020, the Turkish government lifted most restrictions. The 15 worst-hit provinces came out of one last curfew with weekend stay-at-home orders being abandoned for the time being. All intercity travel restrictions were lifted as well, with only citizens aged 65 and above being required to obtain a special permit for travel, as they are still under a curfew due to being the highest at-risk group. Restaurants, cafes, gyms, parks, beaches, museums, daycare centers and libraries were also allowed to open their doors after a nearly two-month closure. Mosques will allow congregations for two daytime prayers starting June 12.

The Turkish government was initially optimistic that it would achieve its 5% growth target. Regarding Turkish pro-government daily news, they claimed to say that 2020 would be the year of recovery for its economy. They forecasted the dropping of the inflation to single digits (~9.5%), economic growth between 3%-4%, controlled depreciation of the weak Turkish lira, better performance of the Turkish stock market compared to other asset markets and many more positive aspects, which will strengthen the Turkish economic condition.

¹ <https://www.worldometers.info/coronavirus/>

But these hopes have been dashed by the dramatic effects of the crisis. The International Monetary Fund is now assuming that Turkey's GDP will decrease by 5%. However, as long as the corona virus has the global economy under control, growth forecasts are particularly difficult to make.

Cushman & Wakefield's report says the growth of the Turkish economy might decrease from 2.8% to 1.7%-1.4% in 2020 but increase to 4.7% in 2021 and regarding Fitch Ratings if the partial lockdown conditions continue in the 3rd quarter, the Turkish economy growth will fall by end of Q2 and start to increase at the beginning of Q3. By the end of 2020, a growth of 0.8% will arrive and the inflation rate will fall to ~8.5% (inflation rate in March was 11.86%). Furthermore, Fitch Ratings forecasts Turkey's GDP growth at 4.5% by the end of 2021.² Most economists are convinced that the Turkish government's "healing package"³ will give some additional support to the economy.

The COVID-19 pandemic will bring Turkey's economy to its limits as the country was already forced to spend large sums of money after a currency crisis in 2018 to keep their heads above water. The precise effects depend on the further spread of the virus in the country and worldwide. Some industries will suffer losses, others could win. There is almost no sector which has not been affected in the crisis but among the biggest losers is the tourism industry. The coronavirus outbreak hit Turkey's booming tourism sector. Turkey had to close its borders. The country's touristic hotspots have been almost empty.

At the beginning of the crisis, some hoped that Turkey could step in for deliveries that are now missing from China. However, current figures make this scenario increasingly unrealistic. According to preliminary data from the Ministry of Economy, Turkish exports in March 2020 were around 18% lower compared with the same month of the previous year.

Nonetheless, Turkey wants to position itself as a secondary location in the globalized world economy. Companies that are looking for new locations as a result of the crisis to ensure their delivery capability through redundant production facilities and logistics centers could find what they are looking for in Turkey. Local production costs are low and the manufacturing sector is broad. The weak lira also makes exports cheaper. Opportunities could arise in the chemicals, textiles and shoes, steel or furniture sectors.

² www.aa.com.tr

³ President Recep Tayyip Erdogan unveiled a package of fiscal policy measure; 100 billion TL (~15 billion USD) --> the Economic Stability Shield to relieve primarily companies

2 MEASURES TO STRENGTHEN TURKEY'S ECONOMY

Turkey has launched a 21 point stimulus package (Economic Stability Shield) worth USD 15.4 billion to tackle the coronavirus pandemic. The package includes floating loans, shifting taxes, pushing payments into the future and additional social transfers. Besides, Turkey has pledged a "series of measures" relating to Fiscal Policy, comprising tax breaks and deferrals, along with credit guarantees and delays in loan repayments.

The rest of the package is aimed at the business world and is mainly focused on delaying public receivables and payments to the state and facilitating access to finance. Corporate loans awarded by banks will be restructured, new credit lines for exporters will be provided and rules governing collateral will be eased.

For the tourism sector, which is expected to be severely affected by the outbreak, the introduction of a recently announced accommodation tax will be postponed and rental payments for use of Treasury property will be delayed. In aviation, the government reduced sales taxes to 1 percent from 18 percent for domestic flights.

The government has delayed employers' tax and social security payments for six months for several service sectors. "Force Majeure" status was declared to prevent the deterioration of credit ratings. However, a measure for banks, which have been unable to collect receivables, is not included in the package.

For the construction sector, the government plans to increase mortgage loans for house purchases to 90 percent of the sale price for properties costing less than 500,000 TL. This measure has triggered an outcry among some citizens because the government has often been accused of prioritizing the demands of the construction sector, which shrank by 8.6 percent in 2019, ahead of other parts of society. The effect of the measure on purchasing decisions and the benefit it will bring to the sector will be negligible.

3 SECTORS CONCERNED

The effects of the coronavirus are now being felt in almost all sectors. Some will probably recover more easily than others:

- Tourism & Hospitality
- Automotive
- Retail
- Construction
- Health
- Digitalization

Also, this year's SBHTR focus sectors such as textile, startups, education and construction/infrastructure will be evaluated as well.

3.1 TOURISM & HOSPITALITY

The recovery of the tourism sector in Turkey (and worldwide) might be more difficult than any other sector. Tourism & hospitality are facing a sharp demand, with little chance of recovering later on. With the start of the pandemic crisis, Turkey's tourist hotspots and cultural destinations have been almost empty, the majority of 80 million Turks stayed at home and followed the government's quarantine regulations. Turkish Hoteliers Federation (TÜROFED) said that there has been a significant decline in holiday reservations as many airlines decreased the number of flights by 100% with the majority of countries.

Whether the summer season can be protected depends on the course of the pandemic. In general, tourism contributes 12% to Turkey's economic output. The industry generated approximately revenue of \$ 35 billion last year, attracted 50 million visitors, and employed approximately 1.5 million people.⁴

Before the coronavirus pandemic's catastrophic impact on all kinds of economic activities, Turkey had set the goal of reaching the target of hosting 75 million guests by 2023. The government approved loans specific to the tourism sector will be restructured with a grace period of up to 12 months to support the industry. Moreover, Turkey's tourism sector needs to develop a new system, which will be based on ecological values and nature, in the post-COVID-19 pandemic era. The sector should forget the all-inclusive structure of mass tourism, which is not sustainable anymore and head towards village and private tourism.

According to Turkey's Culture and Tourism Minister Mr. Mehmet Nuri Ersoy Turkey's tourism season is expected to postpone until after-May period due to the COVID-19

⁴ <https://www.gtai.de/gtai-de/trade/specials/special/tuerkei/coronavirus-schwaecht-die-tuerkische-wirtschaft-234698>

pandemic. The government is planning to introduce certificates to ensure that hoteliers comply with protective regulations. The first certificates have been assigned at the end of May - just in time for the start of the holiday season. Deniz Ugur, a member of the "Politics and Foreign Affairs" committee of the German Travel Association and owner of the tour operator Bentour, which primarily offers trips to Turkey, explained that Turkey presented at an early stage an extensive package to allow travels from abroad again.

The partially governmental Turkish Airlines will gradually recommence flight operations. From June 12, 2020 onwards, 22 destinations in 19 countries will be included in the flight schedule, including Germany, the Netherlands, Austria and Norway as well as China - those countries from which the majority of Turkey visitors come from. Arrivals may have to go through health checks. However, due to restrictions imposed in other countries (i.e. European countries), in some cases, the resumption of scheduled passenger flights may not be possible until those countries have eased their own restrictions, and given permission for flights to resume to and from Turkey.

3.2 AUTOMOTIVE

Since mid-March 2020 the domestic demand for cars in Turkey has broken down. In April 2020, car sales in Turkey fell by almost 15% compared with the same period of the previous year. The exports of cars also fell significantly. According to the Uludağ Automotive Industry Exporters' Association UiB car exports declined by 77% compared with the previous year. Exports to the European Union, which is the main importer of cars produced in Turkey, have dropped dramatically by 81% in April. At least the Turkish Ministry of Commerce confirmed on March 27, that freight ferries continue to leave for the ports of Trieste and Bari in Italy, as well as Toulon and Sete in France. By this, new cars could be still exported to this day.

But the fact, that new cars can still be exported, does not imply that the automotive (supply) industry can handle this crisis without any damage. Quite the contrary, the automotive sector will suffer a lot. Since mid-March, numerous large automobile manufacturers stopped their production in European plants, e.g. big manufacturers such as Ford Otosan, Toyota and Honda.⁵ With lockdown measures (e.g. 1.5 meters of distance between workers on the assembly lines) in place since mid-March, most factories have reopened by May 11, 2020. The operation runs with a partially reduced capacity.

However, according to the Authorized Automotive Dealers Association OYDER, there was an excess demand on the Turkish car market before the outbreak of the corona crisis. Compared with the same period of the previous year, sales of passenger cars almost doubled in the first two months of 2020. According to the Vice Chair President

⁵ <https://www.gtai.de/gtai-de/trade/wirtschaftsumfeld/bericht-wirtschaftsumfeld/tuerkei/tuerkei-coronavirus-schwaecht-wirtschaft-229042>

of TAYSAD it is expected that in terms of automotive production the rate will gradually increase from 60% to 85% between May and September.

Turkish car manufacturers and dealers hope to be able to continue this positive trend after the corona crisis. Ali Haydar Bozkurt, CEO Toyota Turkey, notes that the corona pandemic is causing a global shift in demand. Once the crisis is over, car sales will rise again. Toyota Turkey wants to be prepared for the rush after the crisis. This requires experienced employees. In Turkey, in particular, demand is expected to rise sharply because customers have been delaying their car purchases since the currency crisis in 2018.⁶

Turkey will produce between 250,000 and 300,000 fewer vehicles this year because domestic and foreign demand has drastically fallen according to Kemal Yazıcı. "An important source of income for the automotive supply industry firms is the export of [vehicle] parts. In this area, the total loss was around 19% in March, but in April a loss of 70% is expected", he said. But, Alper Kanca, TAYSAD Chairman of the Board, stated also, that Turkey could replace China to supply parts to European producers soon.

3.3 RETAIL

Retail business has stopped worldwide almost to 90%. In 2019, the retail sector in Turkey reached \$193 bln.⁷ In the face of the pandemic crisis, Turkish (clothing) retailers and shopping malls (except pharmacy, banks, post offices or supermarkets) temporarily shut their stores in response to the spread of the coronavirus. Instead, online retail increased by 200-300%.

After nearly a 2-month closure, on 11 May 2020 shopping malls, barbershops, hairdressers and some stores have been allowed to reopen in Turkey. Strict social distancing and hygiene provisions remained in place, with shoppers' temperatures screened at mall entrances.

Shopping malls that opened their doors to customers on May 11, as part of the country's efforts to ease coronavirus measures, have already reached some 65% of their turnover while expenditure per person in stores has doubled compared with the same period last year.

Hüseyin Altaş, chairman of the Shopping Center Investors Association, noted that retailers expected to reach 40% of their pre-pandemic turnover in May, 50-60% in June, nearly 70% in the July-August period and reach full rate in September-December.

⁶ <https://www.dailysabah.com/business/automotive/pandemic-to-hit-turkish-auto-sales-hard-but-industry-to-stay-afloat-reps-say>

⁷ <https://www.hurriyetdailynews.com/size-of-retail-sector-reaches-193-bln-in-2019-151378>

It can be observed that although just 35% of all stores have reopened, turnovers have reached 65% in comparison with the same period of last year. This underlines that the amount of shopping per person has increased significantly.⁸

3.4 CONSTRUCTION

The construction sector is one of the sectors, which is the most affected by the pandemic crisis worldwide and in Turkey. In 2019, the construction sector held an important place in Turkey's economy with 5.4% of the national income of \$34 billion. Real estate activities represented 6.7% of the national income of \$41 billion. But due to the virus outbreak, the sector entered an unstoppable contraction phase.

According to IMSAD (Association of Construction Material Producers) Chairman Tayfun Küçükoğlu, nearly 90% of the industry continues production under different conditions. Exports of the building materials industry fell by 5.8% in March 2020 compared with the same month of the previous year. Exports of construction materials, which rose 22.4% in quantity compared with March 2019, reached 5.1 million tons. But imports increased unexpectedly in March. But imports of building materials increased unexpectedly by 3.2% in March compared to the same period of last year and reached 229 thousand tons. In terms of value, imports of building materials increased by 4.8% in March compared with last year and reached \$ 585 million.⁹

While measures have been taken to prevent the transmission of the virus in sales offices and on construction sites, the global construction industry has significantly disrupted. In addition to the project and contract cancellations or delays, the consumer demand for real estate, which decreased significantly, left the sector in a difficult situation. Besides, more than 200 sub-sectors are vulnerably affected by the chain disruptions.¹⁰

Looking from the foreign contracting sector, it is said that after the COVID-19 crisis the resulting disruptions may cause extra costs for the companies. If contracts do not include any clause of „force majeure“, compensation may come to the agenda for the failure to fulfill a contractual clause.

It should be mentioned that the supply chain interruption is also an important problem in the construction sector, which faces contract cancellations and project delays due to the pandemic crisis. Although it is still too early to assess the full impact of the outbreak in the sector, it is predicted that significant delays in large projects are expected if the process is extended after June. This would entail an impact on operational and financial terms.

⁸ <https://www.dailysabah.com/business/economy/some-shopping-malls-in-turkey-reach-65-of-turnover-since-opening-doors-on-may-11>

⁹ <https://www.imsad.org/>

¹⁰ <https://www.aa.com.tr/tr/ekonomi/kovid-19-sonrasi-coken-insaat-sektorunde-toparlanma-sancili-olacak/1846003>

Looking ahead of the post-crisis time, it is predicted that digital transformation will be placed on the agenda of the construction sector. E-construction sites will be created and demand for big offices will increase due to social distance. The integration of robotic technologies in new projects is expected to accelerate and solutions for real estate technologies (proptech) such as robots, that can sterilize and clean buildings, are expected to be increasingly adopted.¹¹

3.5 HEALTH

Compared with other European countries, it can be said that the Turkish health system has handled the corona crisis better than expected. According to the Turkish Medical Association (Türk Tabipleri Birliği, TTB) and hospital staff, it was thought that the rapid run of corona patients would push the healthcare system to its limits. But the number of intensive care beds per capita had already been higher in Turkey than in many other European countries before the crisis. And since the pandemic outbreak, the Turkish government continued to increase the number of intensive care beds.

The World Health Organization (WHO) also explicitly praised Turkey's efforts to bring the coronavirus outbreak under control. The country's efforts, to avoid a further spread of infections and the structured treatment methods for COVID-19 patients are exemplary in the fight against the pandemic crisis.

Currently, only 30% of hospital beds, 60% of intensive care beds and 37% of ventilators are occupied. Since the first COVID-19 case on March 11, Turkey has conducted over 800 thousand tests. This ranks Turkey number seven in the world in terms of COVID-19 testing.¹² According to some experts, this success can also be attributed to well-educated doctors and well-equipped hospitals. The largest Turkish hospital, the University Hospital Cerrahpasa in Istanbul, is at the forefront in the fight against the virus. No region is as affected as the Bosphorus metropolis. There is hardly a hospital whereas many COVID-19 patients are admitted as to Cerrahpasa.¹³

Turkey shared its experience in fighting the corona virus with several countries. According to the Foreign Minister, two third of the countries worldwide asked Turkey for medical help, especially for (face) masks, soaps and disinfectant products (i.e. hand sanitizer, disinfection gels). A large number of requests for medical care showed that Turkey also positioned itself as a reliable partner within the global community.

In terms of ventilators, Turkey exported more than 1000 ventilators to fight the coronavirus but, of course, European countries needed many more times. The need for medical ventilators can be considered as business opportunity for Swiss companies. Switzerland as sophisticated and high-tech country can share its technology knowledge and support the production of ventilators.

¹¹ <https://www.hurriyet.com.tr/ekonomi/corona-virus-sonrasi-coken-insaat-sektorunde-toparlanma-sancili-olacak-41520926>

¹² <https://www.aa.com.tr/en/analysis/analysis-turkey-s-healthcare-system-an-example-to-follow/1824425>

¹³ <https://www.dw.com/de/wie-t%C3%BCrkische-krankenh%C3%A4user-die-patientenflut-bew%C3%A4ltigen/a-53349386>

Overall, 128 countries asked Turkey for help in the fight against the corona virus. Turkey was able to meet half of the requests. Inquiries included grants and export permits for medical equipment. Especially in terms of doing and increasing business, this sector is one of the most affected industries. The virus crises forced for more safety materials as masks, disinfection materials etc. Turkey lifted bans on export of medical equipment to fight the coronavirus. The lifting of the restrictions represented an opportunity for Turkish companies that have increased their production capacities since the start of the pandemic at a time when many countries struggled to obtain adequate supplies of medical equipment.

3.6 TEXTILE

The Turkish textile industry expects - due to the effects of the corona virus – an order increase up to \$2 billion. According to the President of the Turkish Association of Textile Manufacturers (TGSD) many well-known brands have already started negotiations for the production of new seasonal goods. Based on the US Dollar currency, production costs in Turkey have recently dropped by 36 percent compared with China.¹⁴

According to the export data released by İTKİB (Istanbul Textile and Apparel Exporter Associations), total exports of the Turkish textile and raw materials industry in 2019 decreased by 5.5% compared to the previous year and decreased to \$9.9 billion. In 2019, the total exports from Turkey increased by 2% to \$180.4 billion in value.

The textile industry is expected to revive and reach a better situation with the end of the coronavirus pandemic. While the whole world suffers from a lack of masks and protective clothing, Turkey is - thanks to its strong infrastructure for the production of textiles, clothing and non-woven fabrics - one of the largest manufacturers of non-woven fabrics and hygiene articles, both worldwide and in Europe.

Turkey`s textile industry, which today makes masks and protective clothing to offer health benefits to the whole world, will grow faster in this process and will continue its investments at full speed.

3.7 DIGITALIZATION

The virus is radically transforming shopping, production as well as consumer behavior. Institutions in Turkey are learning not only to work remotely but also to change the way they do business.

¹⁴ <https://www.handelsblatt.com/politik/international/coronakrise-die-tuerkei-bereitet-sich-auf-das-ende-des-lockdowns-vor-und-setzt-voll-auf-den-tourismus/25807360.html?ticket=ST-1166038-cDFst9HO6feMOB6zMzzf-ap3>

This is facilitated by the Turks' high affinity for the internet. Ümit Önal, CEO of Turkey's leading information and communication technologies company Türk Telekom, stated that internet usage habits have changed in this process. "Time zones in which internet traffic increased have changed."¹⁵

Almost everything can be solved in Turkey by using mobile applications. About one quarter of the Turkish population orders its grocery purchases online and let deliver everyday needs directly to its homes. And the use of the Internet does not halt at weekly shopping.

Many Turks pay cashless. Even municipal water or electricity bills are being paid via apps. Even in areas that involve sensitive data, more and more Turks are using the Internet. In the big cities Istanbul and Ankara, for example, it is not uncommon for doctors to send patients laboratory values or MRI screenshots via WhatsApp. This is possible by the "e-nabiz" ("e-Pulse") app, which can store all test results and documents. All you need for this service is a smartphone, the App and your ID number. The "e-recipe" App can be used in a similar way.

The country's 18 million students are receiving school lessons online and on TV, through the nation's Education Information Network (EBA) and public broadcaster TRT EBA. This platform has been online since March 23.

Digitalization is a must in an era when technology is coming in everywhere. According to the country's trade minister, Turkey will prioritize investments in food, health and digitalization in the coming period.

3.8 STARTUPS

The COVID-19 pandemic has brought most businesses to a standstill, but some startups are booming. Entrepreneurs meet online to find solutions for coronavirus pandemic. Especially technology-related startups can play an important role in the pandemic fight. There are many new or large volumes of needs, from inexpensive respiratory support devices to stretchers for infected patient transport. The EU also announced that it would support innovative products related to coronavirus and support entrepreneurs working for this purpose.

Local startups such as Bizim Hesap pre-accounting and e-invoice, PayALL mobile wallet, Etiya CRM solution, web.tv video conferencing, digital exchange advertisements and those in telehealth, such as Doctor Turkey, are leading a digital transformation that supports social distancing against the virus. Besides, new platforms for telemedicine solutions have been introduced that allow doctors and patients to meet with no risk of infection.

¹⁵ <https://www.dailysabah.com/business/tech/entrepreneurs-meet-online-to-find-solutions-for-coronavirus-pandemic>

3.9 EDUCATION

Like many other sectors, the education sector is also hit by the pandemic crisis. Turkey began distance learning in March 23, 2020 as part of measures to mitigate the spread of the coronavirus. According to the country's education minister the number of lessons via Education Information Network surpassed 650,000 in the first 15 days of distance learning. While Turkey's Health Ministry recently hinted at schools opening June 1, representatives of the "Education and Science Workers' Union" (Turkish: Eğitim ve Bilim Emekçileri Sendikası) have been worried to allow students to return until there is clear scientific proof that the COVID-19 outbreak is no longer a threat. Lately, just kindergarten and preschools have reopened on June 1.

This outbreak could spur a new wave of education logic and system for millions, an education system that is more innovative, inclusive, sustainable and accessible for all. Distance or e-learning and teaching naturally is different than just making video conferences and lectures. Interacting and engaging with students online, as well as assessing and evaluating them requires specific methodology, expertise and skills. In this way, new business opportunities can arise.

4 SWOT ANALYSIS & FAZIT

Despite the current pandemic situation, Turkey remains a significant market for Swiss companies. Unfortunately, the uncertainty created by the virus quickly disrupted the global trade and supply chains, lowered commodity prices, and forced multinational companies to take difficult decisions. This health crisis is actually testing the entire economic system.

In Turkey, especially the tourism and service sector suffered heavily. Cafes, restaurants, museums, sport centers, shops and many more entities have been closed for weeks. Tourism, with an annual tourism revenue of \$34.5 billion in 2019 will be one of the worst suffering area, which will take a long time to recover. However, Turkey, with its geographic location between Europe, Africa the Middle East and Central Asia, is still an important hub for economic cooperation. Particularly in some industries like textiles, furniture, iron and steel sectors global demand may shift to Turkey.

Another big upcoming future trend lies in digitalization. Digital platforms and solutions offer Turkish companies an opportunity not just for productivity and growth, but also for increased competitiveness, thus making an important contribution to the Turkish economy. Many webinars already take place and these virtual meetings will be at least maintain after the crisis. At the same time, people become significantly more selective in terms of seminars, conferences and face-to-face meetings.

Turkey is a high potential market for the digital transformation. Especially in these pandemic times, companies are forced to be creative and need to draw up new alternative business models in order to adopt themselves with the new digital transformation. Topics such as Artificial Intelligence, Robotics, Blockchain, Internet of Things and other new innovative technologies have to be regarded much more intensively. Working models must reflect these approaches. Companies must digitalize. Turkey can benefit from Switzerland's high level of innovation knowledge and technology outputs.

At the same time, looking at the educational situation of children and young people, due to closure of schools and universities COVID-19 students have been taught online at home for several weeks because. Even though nothing can replace face to face teaching and pedagogy is hampered through digital means, possibilities of online teaching can result in new opportunities regarding the development of e-Learning platforms and modules in Turkey. Switzerland is one of the leading countries in terms of international ecosystem for education and vocational training. Therefore, new business models can come into effect on both sides.

Moreover, new opportunities may also arise for Turkish exporters. Increasing global demand, as a result of the temporary reduction of production capacity worldwide, may attract global importers to invest in Turkey in both the medium and long run.

Turkey’s economy usually recovers quickly. Nevertheless, Turkey's economy might take more time to recover after the COVID-19 pandemic. Turkey entered the coronavirus economic crisis already in weak financial shape, with high inflation and low central bank reserves.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Geostrategic position becomes more important - Turkey’s economy usually recovers quickly - Quick adaptation to new circumstances and alternative business models - Concentration on core business 	<ul style="list-style-type: none"> - Insecurities are given - Time line not clear of the pandemic - Currency under pressure - Low central bank reserves
Opportunities	Threats
<ul style="list-style-type: none"> - Creation of new and innovative business ideas > (Online) Business Models - Trend for increased digitalization > Focusing on Artificial Intelligence, Robotic technologies - New business models in education, housing, in general disruptive technologies - E-learning - Repositioning chance in Global Supply Chain >> Increasing Global Demand (especially automotive suppliers and the textile industry) - TR as a hot spot for near shoring (services, e.g. IT) and sourcing (products) 	<ul style="list-style-type: none"> - Becoming sick - Crash of infrastructure as telecommunication (Netflix, internet, etc.) - Liquidity scarce - Unemployment increases (loosing job) - Production stop - Bankruptcy - Social isolations - Paranoia and Anxiety - Lost of trust (people)

Another important factor that cannot be ignored were the psychological impacts and consequences for the Turkish population out of this pandemic crisis. In times of home office and social isolation employees should stay motivated at any time. Regular virtual online team meetings have become indispensably. Without these social contacts, people can become sick und develop anxious feelings. It is important that the employees get the feeling that they are needed and useful, even in times like this. There will be an after-crisis phase and the business has to run as if everything is going forward as usual

(as far as possible). Therefore, a healthy and motivated team is the most important headstone for a good future.

After the crisis, there will be an overwhelming situation for all the different sectors. This pandemic crisis has caught many unprepared. Although Turkey made a step back to “new normal” life at the beginning of June, there is still a fear of a second wave. Therefore, everybody and every sector has to think about adapting alternative business models.

5 ANNEX

5.1 INTERVIEWED COMPANIES

We talked with different Swiss and Turkish companies to get a feeling on how they are dealing with the COVID-19 crisis. We asked about the measures they implemented during the crisis and about the challenges and expectations for the time after.

Most companies (sectors: food processing; construction, security printing, supply engineering, chemical industry, consultancy services, pharma, textile) told us that their business is still running but that the situation could change very quickly. One company stressed that especially governmental projects continue wholly or at least partly. All other projects will stop probably until June. Most companies shifted to home office (as much as possible) and at least 50% are working from home. Marketing activities are ongoing but of course just online activities. One company stressed out that in future automation and digital processes will definitely increase.

In any case, all companies agreed that the longer this situation lasts, the more difficult the situation would be. One company from the consultancy services sector stated that a loss of 20-30% of customers could be compensated but a loss of >50% would create big problems. Another issue is that the purchases of raw materials will get more and more difficult. March was bearable, but the following months April & May have been difficult for some companies in terms of raw materials if there is no slowdown in terms of new corona infections. In general, companies try to fill up their stocks as much as possible. However, the other big difficulty, which appeared, were the problems with the customs. It was difficult to find drivers for the transport of arriving orders because of the quarantine time of two weeks.

Most service companies as consultants or law companies are doing home office and working on contracts for employees, employers (secure of jobs, rights, etc.); especially labour law is in demand by the companies. Consulting companies working on recent projects, researches and other ongoing activities. To attract new projects became a challenge, therefore most service providers made sure that they maintain the good relationship with their current clients.

With view to the IT infrastructure, most companies have a good IT system and can provide easily working arrangements such as home office/remote working places. There are only few companies that are not able to provide this service due to their poor IT-tools, nevertheless those companies realized that their investment priority for the future will be clearly into digitization.

Some companies complain that there is no special handling from the local government.

One company from the agricultural sector said that the national and international travel ban complicates their daily business. No one can travel and this hits heavily their trade with local but also foreign partners. They underlined that concerning “smart farming”, digitalization will increase in the agriculture sector. Smart farming services and products can create a big advantage for themselves out of this crisis.

The luxury segment’s main problem is customs. The clients are still willing to buy luxury goods but there is no possibility of delivery because Turkish borders have been closed to passengers from the following countries: Italy, Germany, France, Spain, Norway, Denmark, Belgium, Austria, Sweden, the Netherlands, China, Iran, Iraq and South Korea. Truck drivers (except Turkish drivers) who come from the countries listed above, are quarantined at the border for 14 days and are not allowed to enter Turkey during the quarantine period.

At the same time, a Swiss manufacturer announced that they will invest TL 5 billion (\$738 million) to establish a research and development (R&D) center in Turkey after the coronavirus pandemic crisis. This investment news came at a time when the Turkish economy braces for massive impacts of the coronavirus pandemic