

INTERVIEW: ECONOMIC FORECAST

In this exclusive interview for TPQ, renowned global investor and emerging markets fund manager Mark Mobius shares his perspectives on the impact of the global financial crisis on emerging markets and sectors, with an emphasis on Turkey and Turkey's prospects.

Mark Mobius*



*Dr Joseph Mark Mobius is a global investor and emerging markets fund manager. He has been involved in these markets for over 40 years and is considered to be one of the leaders in the industry. He is president of the Templeton Emerging Markets Fund.

Interview conducted by: H. Kaan Nazlı¹

You have made a good reputation over the years as a dedicated emerging markets investor even at times of massive capital flights, which you characterized as entry opportunities. How did the most recent global financial crisis affect your approach?

There has been no change in our approach since we have been through a number of such crises. We realize that these events must be expected.

Were there any specific countries/sectors which disappointed you or come better than expected in the most recent financial crisis?

No. The impact is global but, of course, some countries have weathered it better than others. For example, China and India are still growing at a fast pace.

What is your view on the trajectory of the global economy? Do you think the worst of the de-leveraging process is over for the financial markets, as recent data and surveys would suggest?

Yes, the worst of the crisis is over.

What emerging markets and sectors do you think would mark the best investments in your 10-15 year view?

The most promising sectors would be commodity and consumer oriented stocks. As regards to countries, we are finding opportunities everywhere.

And on the other side of the coin, which emerging markets and sectors do you think will go through a much longer recovery process, being locked into slow growth rates for a long time?

Eastern Europe will take a little longer but the difference will not be substantial. Same for other sectors. The recovery will be broad.

How do you view Turkey's economic prospects? What sectors are the most promising in your view, and what sectors do you think have been overblown during the boom years of 2003-06?

¹H. Kaan Nazlı covers Turkey, Eastern Europe, and the Caspian region for Medley Global Advisors. He is a member of the ARI Movement and president of Moon and Stars Project, a New York-based arts and culture organization.

We are bullish on Turkey and of particular interest is the banking sector because of the consumer orientation of that sector.

How do you view Turkey's European Union accession process in this conjuncture? Can one argue that being out of the EU in the 1990s and earlier this decade helped Turkey in terms of financial leveraging?

Turkey's entrance is not material. What is important is that Turkey is undergoing the reforms required by the EU.

The global recession dealt a significant blow to oil prices as well, though it seems the prices are back in a 60-70 dollars per barrel bracket again. What is your three to five year view on the oil prices? Do you think oil prices around 150 dollars have done enough to get advanced economies to think seriously on other energy options?

Yes, there is considerable work on finding alternatives energy sources but oil will still be king and there will be a continuing requirement for oil.

Turkey is among those emerging markets that are worst affected by oil prices in terms of inflation and current account deficit, and there is no shortage of views on the way out: more natural gas pipelines, solar, wind energy etc. What type exit strategy would make most sense for Turkey from an investor's point of view? What is the most foreign investment-friendly way for Turkey to lessen its dependence on foreign oil and gas?

Turkey should encourage pipelines to cross its territory since that would enable the country to get a source of oil and payment for the transit. Also since Turkey has Iraq and Iran as neighbors, it is in a good position to obtain gas and oil from those oil and gas-rich countries, so improvement in relations with those countries is essential.

You had cited your negative experience with an investment into Çukurova Elektrik in 1990s in your book. That particular incident had stemmed mainly from limited protection of minority shareholder rights in Turkey. Would you say Turkey has improved in that regard, and how so?

Yes, there has been a growing awareness of shareholder rights in Turkey and that is an important first step.