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NIGEL WRIGHT
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Despite continued political instability in Iran, Nigeria and Turkey consumer demand continues to grow.

Historically, emerging markets have always been commercially attractive geographies for multinational companies (MNCs). Certainly, for the last fifty years at least, gaining access to low cost production and cheap labour have been the major motivations behind companies establishing manufacturing facilities within emerging markets states.

Today, however, the economic environment across the developing world is rapidly changing. Factors such as impressive GDP growth rates and burgeoning young populations are adding to the appeal of emerging markets, whereby many MNCs are racing to establish regional headquarters in developing countries that were previously only targeted as part of a low-cost country sourcing strategy, for the reasons outlined above.

Significantly, the countries that are increasingly appearing on the investment radar are those that in many ways continue to occupy a negative space within the Western consciousness. These are states that are associated with political and religious extremism, government corruption, virus disease epidemics or with having anti-liberal or non Western values.

Turkey, Iran and Nigeria are three such countries, yet some of the current growth projections for these traditionally contentious states, means that the economic pendulum continues to swing in their favour. Certainly for Iran and Nigeria and less so for Turkey, this may have seemed inconceivable five years ago, but today it is helping change people's perspectives of their future potential to become fully integrated and participative in the global economy.

In this article we explore the potential for growth within Turkey, Iran and Nigeria amidst the enduring unstable political environments that exist in, or around, those territories, focusing in particular on the burgeoning FMCG industries. Experts currently operating in these markets give us their views on the potential for FMCG to help real growth actually take root.

TURKEY

Since March 2013 Turkey has been at the forefront of world events for all of the wrong reasons, when large scale and violent demonstrations took place in Istanbul in opposition to the government's proposed redevelopment of the City's Taksim Gezi Park. These demonstrations have partly continued up to the present day; bar a three month period of relative peace during the summer months of 2013.

The proposed destruction of Taksim Gezi Park became symbolic of the government's perceived wider agenda to remove basic rights and privileges increasingly enjoyed by Turkey's liberal, secular population. This included limiting the freedom of the press, freedom of expression and assembly, as well as introducing policies which encroached on Turkey's secularism.

> According to Senior International Consultant Eylem Emiroglu; the Turkish economy remains stable and therefore it seems unfair to assume that the current period of political turbulence will negatively impact Turkey's long term economic future.

Despite the frequent and violent demonstrations in Turkey, Prime Minister Recep Tayyip Erdogan and his ruling AKP party remain in power, retaining control of Turkey's two biggest cities, Istanbul and Ankara in the regional elections in March, and increasing its share of the vote in the national elections that took place in August. Turkey's economy grew by 4 percent in 2013 and generally growth has been constant for more than a decade.

Very recent developments in Turkey's political sphere, however, including the government's decision to reorganise the judiciary and restrict use of social media websites, have led financial experts to point to the potential long-term negative impact this could have on Turkey's economic future.

Spanning Europe, Asia and the Middle East, Turkey has become an increasingly important regional hub for many FMCG companies due to its obvious geographical advantages. Its dynamic economy, solid infrastructure and highly competitive tax breaks, alongside the fact that half of its population of 76 million are under the age of 28 has attracted some of the world's leading brands to Turkey. Nielsen statistics from the end of 2013 placed Turkey as having one of the fastest growing FMCG markets in Europe, with a year-on-year sales growth of +11.6 per cent.

Since the beginning of the global financial crisis, Turkey has increasingly become a strategic geographical target for MNCs seeking to reinvigorate growth in the wider EMEA region. Two critical reasons for this are that Turkey represents access to low cost labour and production and with strong trade agreements and cultural ties with Europe, the Middle East, North Africa and the Central Asian regions, also offers MNCs access to a significantly greater pool of potential customers.

According to Senior International Consultant Eylem Emiroglu;

This is a particularly troubling political period for Turkey which is probably more exasperated in the immediate aftermath of the presidential elections. However, suggestions that Turkey will be the 'next Egypt' are ill-informed. The recent riots in Turkey have been in response to Erdogan's authoritarianism combined with his perceived disregard of secular rights, freedom of speech and for preserving the natural environment. Yet, the Turkish economy remains stable and therefore it seems unfair to assume that the current period of political turbulence will negatively impact Turkey's long term economic future.

NIGERIA

You can't turn on the TV or read a newspaper today without reading about horrific stories emerging from Nigeria. Recently, they include the nefarious activities of the terrorist group Boko Haram as well as the rapid spread of the Ebola virus.

Nigeria remains, however, a country with huge potential. It has a young and growing population, currently around 170 million people. Its GDP is growing and a greater number of the population are earning more and climbing the social ladder as a result. There are an abundance of new businesses being established; new construction projects are taking place in the cities and significant improvements have been made to the country's infrastructure.

Its FMCG manufacturing sector is also the largest in West Africa and one of the fastest growing on the continent. Demand for 'made-in-Nigeria' products, and in particular food, has been a significant reason behind this. At the same time, multinational companies are continuing to establish and expand their presence in Nigeria, catering for local demand for international products, as well as using Nigeria as a hub to export into the wider region.

According to Matthieu Seguin, Commercial Director at Coca Cola Amatil Nigeria;

Terrorism and disease have become global challenges and Nigeria is one of many countries in recent times that have been affected by them. As both local and international security institutions continue to effectively combat these challenges, businesses and communities, as well as individuals, must remain vigilant and always bring to the fore, issues concerning their security and health. As a business we operate in 70 locations across Nigeria *and we are proud of our local presence. We continue to work hard at ensuring the safety of our people.*

Every day there is a good event and a bad event but if you spend all your time fire fighting, you will fail. It's not rocket science. As I've said, there are also lots of opportunities here, particularly in the North, which is the fastest growing region, so you need to be firm and clear about what your priorities are – agree to a plan and stick to it. We are very proud of our sixty two year presence in Nigeria and for me it stills feels like the right place to be from a professional standpoint.

> **Terrorism and disease have become global challenges and Nigeria is one of many countries in recent times that have been affected by them.**

I have a huge amount of respect for Nigerians; everybody here wants to help you and there is a positive energy that runs throughout the country. At Coca-Cola we want to try and capitalise on that state of mind.

IRAN

During the two term presidency of Mohammad Khatami, between 1997 and 2005, economic prospects within Iran were good. Khatami, who was a progressive and moderate leader, supported the free market, was favourable to the West and consequently successfully increased foreign investment in Iran.

The country's economic prospects stalled however in 2005 when Mahmoud Ahmadinejad came into power. His conservatism as well as his refusal to suspend Iran's uranium enrichment program, resulted in the beginning of a new era of austerity as the USA and its allies imposed new trade sanctions on Iran, essentially crippling its economy.

Last year's presidential election signalled the end of Mahmoud Ahmadinejad two terms as Iran's 6th President, after the revolution, and heralded a potentially brighter future for the country, under new leader Hassan Rouhani. Rouhani is another moderate with aspirations to end the sanctions and help Iran reengage with the global economy.

A year into his Presidency however, signs of the economic improvement promised are still few and far between. Despite preliminary negotiations with the international community and tentative fact finding missions by foreign companies, nobody is making a substantial step for increased economic ties between Iran and the rest of the world. Plans to end its nuclear program were also still unresolved, following negotiations that took place in May.

Furthermore, conservative opposition to Rouhani, although significantly depleted following his successful election, remains vocal in Iran. They include hard-line members of parliament, Commanders of the Islamic Revolutionary Guard, members of the clergy as well as other broader conservative interest groups in the ruling elite. Their refusal to back Rouhani makes his project for radical change ever more complex.

Despite this, Iran has a number of positive attributes that are hard to ignore. Sixty five percent of its 78 million population are under 30; inflation slowed to a two-year low of in February and the International Monetary Fund forecast the economy will expand for the first time in three years in 2014. Its food industry is valued at valued at $77 billion and growing and its apparel market is the second biggest global market for Muslim clothing, behind Turkey. Iran was also the most popular place for Muslim tourists in 2012, an industry estimated to be worth $18.2 billion.

According to Dr. Alireza Azimzadeh from Persia Associates;

Eighteen months ago many multinationals did not even dare to bring up the name of Iran, but now they're talking about it. You have to take notice of a country that is in the top ten, globally, for mineral wealth. It also has one of the youngest populations in the world and 60% have access to the internet, the highest in the region.

Demand from our young population for the FMCG products they see on TV, online or from relatives living overseas is only going to increase. Health and beauty and fashion products have really been at the forefront of consumer demand and now, there is a greater push for the latest 'high-tech' telecommunications products too. The internet in particular is certainly helping people to discover new things all of the time, whether it's related to personal hygiene, mobile phones, soft drinks, cosmetics - demand will just keep on growing. The Iranian mentality is very much about spending money on the latest and best products.

Because of the initial six month period of restricted investment set in January to allow Iran time to curb its uranium enrichment activities, and subsequent extension of that period by four months in July, there are still currently no concrete plans in place for outside investment. There won't be any real momentum until after November 2014. Companies have definitely shown a great deal of enthusiasm about working with Iran again though, and post November, when trade really begins to gather momentum, there will be more products available and consumers will also have more buying power.

There have been some really positive developments too including a modified tax law, allowing foreign ownership of Iranian companies and relaxed labour laws that benefit employers. There is a clear drive, basically, to make Iran a more business friendly country for both international and domestic companies. First and foremost, the possibility in working in Iran is very great. It's likely that we will have a huge business boom in the country for the next three to five years, in all sectors, not just FMCG. But retail and FMCG certainly has the most potential to grow rapidly.