

TÜSİAD

OPENING ADDRESS OF
MR. MUHARREM YILMAZ
THE PRESIDENT OF THE BOARD OF DIRECTORS OF
TÜSİAD
AT THE LAUNCHING MEETING OF
TÜSİAD WORK PROGRAM 2013-2014

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I thank you for your participation in this launching meeting of TÜSİAD Work Program 2013-2014, and I salute you on behalf of TÜSİAD Board of Directors, with my sincere regards.

As you know, before we implement our programs approved by our Board of Directors, we share it with the general public. Here, I and the Board Members presiding TÜSİAD committees, we are going to communicate our program to you and try to answer to your questions and comments.

Consultations with our members and committees, academic platforms of TÜSİAD, national and international think tanks we cooperate and international organization we are affiliated with, all provide us crucial input. Of course, during this preparatory process we also take into account the current development programs, medium term programs and the yearly program of the government as reference for our own program.

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First, I would like to share with you the framework which we used in shaping TÜSİAD program we are presenting.

The main axis of this framework is naturally the global developments. It has been four years now, since the beginning of the struggle against the global crisis. We believe that this crisis will be the starting point of a historical transformation of the structure of the global economy.

Even though it seems that it is merely a crisis starting in financial sector and then invading the real economy, the real cause of the crisis is the deferred global reforms especially during the last 20 years. This is why we should read the crisis as a result of the lack of global regulations and global cooperation, and not merely a lack of financial regulations as usually understood. The recovery from the crisis should be linked to the problem of how and when this lack will be counteracted.

In the coming period we will be talking about a new economic order and a new model of global governance. We can say that it is no more possible to accomplish and sustain the welfare and well-being of the people with the classical conception of growth. Furthermore economic policies consistent with the nation-state models should be reshaped according to the global dynamics.

We follow closely this process of transformation and we try to contribute to the discussion with our partners in the international organization we are affiliated with. As a member of BIAC, the umbrella organization of the business world before OECD, we will try to further develop our arguments about this new structuring in the coming days.

A risk must be spotted in the process of transformation. As the role of the state in the economic life increases in the struggle for the recovery, there is a risk that this increased role becomes permanent and an interventionist approach becomes established. This is a very important discussion for the business organizations. We will keep pondering and working on the issue of how to protect and develop the free entrepreneurship, the crucial essence of the private sector, together with our colleagues and partners in various organizations.

In this context, we value highly the working of the G-20 and the B-20 established by the business organizations of the G-20 countries. G-20 is an institution representing a huge portion of the global value added and population, in all continents. It is also the most important initiative of the fair and sustainable globalization. It is the largest institutional platform of the global reconciliation. In this environment, the probability of implementing initiatives which cannot create a large consensus is minimal.

As TÜSİAD we try to internalize the agenda of G-20 and B-20. Our agenda has become in line with the agenda of B-20. TÜSİAD will multiply its effort in order to develop this institution in depth, to increase its problem solving speed and ability, and also to make the Turkish business world more active and effective within this organization. The most important item on the agenda of our “Global Economic Relation Committee” will be this. This issue demands also a special concern for Turkey which will host G-20 in 2015. We have only 22 month to prepare for this summit.

Dear guests,

The global transformation cannot be reduced to an economic transformation only. We see clearly the footprints of this transformation on the foreign policy. The political balances of the 20th century give way to a new equilibrium in parallel with the economic dynamics. We observe on the one hand the pursuit of liberation triggered by globalism overthrows authoritarian government; on the other hand a conception of governance inclined to trade off democracy for welfare is developing.

These new debates and searching is very significant for the business world. We have to take our part in these debates and take sides with the defenders of the idea that democracy and welfare goes always hand in hand.

I want to conclude our remarks on the global situation with our opinion on the European Union (EU) which is one of the essential and determining actors of the globalization. The reference for peace and democracy for the globalization will be provided by EU. EU can be seen as the rehearsal for a controlled and balanced globalization and everybody will benefit from its success. The core values of the new conception of globalization, including democracy, freedoms, workers’ rights and environmental sensitivities will be EU centered. Then again, the troubles and the deadlock condition during the crises have shown that to adapt itself to the “New World Order”, EU needs a new structure deepening its union.

Turkey is crucial for the healthy development of the EU. The membership of Turkey is a must for the EU at the stage of becoming a real leading global power. The restructuring of the EU is also critical from the view point of the enlargement of the single market.

We never thought the EU process as merely a trade partnership. We valued it as a reference for the human rights and democracy. EU was important as the incarnation of this set of values. In this sense it still is even more important than ever. The establishment of an EU Committee to deal uniquely with these issues, and the decision to launch a special project for the restructuring endeavor, together with our counterpart institutions in the EU, is a sign of the great importance we place on this topic.

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You must have noticed the call for the “Transatlantic Trade and Investment Partnership” made by US President Obama, during his yearly “State of the Union” address to the Congress. If this call will result in an agreement in 2 years, the customs barriers, currently at the level of 3%, will be reduced to zero, and according to various estimates, this will add to the growth rates of both parties about 0.5 percentage point.

Turkey should follow closely this development and find a way to contribute to the shaping of the coming agreement. We have to name this development correctly. As President Clinton once said, “TAFTA is the economic NATO”. As TÜSİAD, in the context of our work plan for the year of 2013, we aim to address every aspect of the issue of Turkey’s participation to the Transatlantic Trade and Investment Partnership.

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After this overview of the global economy, global political developments and the EU, I want to talk about our activities concerning the domestic problems of our county.

With respect to the new constitution and the Kurdish problem, Turkey is entering a critical stage in its democratization process. Within the context of the participatory democracy, what are our tasks in this process? How can we contribute to the efforts to achieve a modern welfare state? We are a community of entrepreneurs, investing, creating employment, willing to innovate and taking risks. We want to contribute to this process which will strengthen the very ground of our activities. We consider this, as our mission and responsibility. The ground we want to be strong is the ground of democracy and the new constitution is a great opportunity to strengthen this ground.

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Constitutional Conciliation Commission of the Great National Assembly of Turkey (TBMM) has been working for one and a half year. As TÜSİAD, we stressed before that a special conciliation commission established on the principle of equal representation of political parties is a significant achievement. We also valued the approach of the Commission to start the process by gathering opinions from all sections of the society, from academia and NGOs, as a very important first step in itself.

The divergence of opinions which found its way to the media recently, is inherent in the process. These debates could be anticipated from the very beginning. None of our political parties is found yesterday, and naturally they have diverging ideologies, discourses and policy preferences. However we made a call for a new constitution, thinking that despite all the disparity of opinions there are many areas of conciliation, and if the talks proceed with the conciliation in mind, progress can be achieved in every topic.

We believe in conciliation. As long as none of the parties expect to see every thesis it defends until now, on the new constitution, this can be achieved. We expect that all parties act with the intention of conciliation and negotiate in line with the pursuit of freedom characterizing 21st century.

The news about the consensus on the status of relationship between the civil authorities and the military, inspire hope. We wish that the Commission could communicate other points of consensus to the general public, and consequently the hope for conciliation is kept vibrant.

There is no other issue as a consensus of the political parties in the Commission which can broaden the prospects of our country. A constitution product of a broad consensus is as important as the content of the constitution.

Institutions of civil society, think tanks and particularly TÜSİAD contributed to this process as much as they are able with their activities during the last twenty years. At the current stage, our responsibility is just following the working of the Constitutional Conciliation Commission of the TBMM and encouraging conciliation. We believe it is our right to demand a consensus on the new constitution.

I want to consider now, the terrorism and the ongoing process aiming a solution for the Kurdish problem. This process is one of the essential foundation elements of establishing peace, well being and democracy in our country. The process should also be evaluated with a very careful language and attitude. We should not linger on question such as where and how the process may be stuck or fail. Instead we should keep working for a positive scenario which will open the way of a new social contract, a new constitution and will create an environment of peace and welfare.

We believe that the economic development will also accelerate with the new constitution raising our democratic standards and with the resolution of the Kurdish problem. The social peace will create new possibilities for the activities to reduce speedily regional disparities of development. There is a slow thawing in our relations with the EU. After two and a half years, finally a new negotiation chapter seems to be opened soon. I think that it is very meaningful that this chapter is the “Chapter on Regional Policies”, and I believe it embodies many opportunities.

Now, it is time to talk about the edifice to be built on the ground of democracy as we defined. I mean the economic and social policies. These issues should be considered and answered with the same care and speed as the issues on the agenda of democracy. I want to communicate our positions on these issues and their place on our program.

First, I want to take the pleasure of remarking that Turkey has successfully decoupled its economy from the developed economies in recession. Particularly in the period of 2010-2011 this decoupling protected us from the worst negative impacts of the global crisis, and provided resilience against the problems which appear to remain on global agenda for a long time in the coming period. This resilience allows us to act on a safer ground and implement healthier balancing policies, in spite of our current account deficit problem. Yes, in the year of 2012 we estimate that our growth is less than 3%. However this year and the next year will be much better. The balancing of the internal and external demand in the year of 2012 is really successful. This achievement is made possible through a successful performance in exports and also through monetary, fiscal and financial policies.

I should also indicate that the macroeconomic coordination policies during the crisis and in the current period are highly successful. Indeed, we achieved high levels of growth after 2009, and when the current account deficit became risky, we succeeded a soft landing, owing to this coordination.

Central Bank of the Republic of Turkey (TCMB) implemented its “innovative monetary policy” aiming also financial stability, on this ground created by cautious budgetary policies.

Thus, while the final destination of the monetary expansion caused by central banks creating reserve money which amounts to 5 trillion dollars is still uncertain, the policies of the TCMB were successful in neutralizing the negative impact of this monetary expansion. The magnitude of the global reserve money is not backed by a corresponding meaningful economic activity, and only current approach of the TCMB could balance out the impact of this injection. With this approach, on the one hand, accidental overvaluation of Turkish Lira is prevented; and partial control of the financial portfolio by the TCMB was secured, on the other.

The bottom line of the public finance is the use of the taxes we pay in the most efficient way. Financial discipline is essential in public spending, and the composition of the public expenditures should be determined with a special attention to the issue of economic efficiency.

After ten years of successful public finance policies, our debt stock has been reduced considerably. Notwithstanding this positive result, the process should be maintained, and an additional margin of caution created to reduce the impact of external shocks will prove to be most useful. During the aftershock of the crisis we observed clearly the critical function of this kind fiscal buffer stock.

The current outlook in the field of public finance appears quite secure, but we must keep being vigilant. The global crisis we are passing through has broken many received ideas and routine; it has been understood that the essential balances of the sustainability of a firm are applicable to the public finance just as rigidly. In the long run, the essential principles of the public finance are:

Zero deficit; which means that public deficit should arise only accidentally.

Transparency; which means that every tax payer should know where it is spent.

Efficiency; which means that the expenditure should be used for the sustainable growth.

Accountability and control; which means that budgetary discipline is indispensable, and deviation from the budget should be explained to the taxpayers, justified and controlled.

As long as these principles are maintained, we have no other expectation related to the public finance; we should not have any expectation indeed, as the state is not an economic actor, but a regulatory body.

Finally, I would like to communicate my evaluation on the primary components of the economic growth.

We have in front of us the “Industrial Strategy” document, prepared with our contributions as well; a road map which comprise both micro structural features and macro features including measures to offset regional disparities of development and analysis of sectoral competitiveness potentials. The 10th Plan, a document to take effect this year and expected to lay down the main axes of medium term development, is being prepared. We can add to these documents another one, the “Input Procurement Strategy” document aiming at increasing the production capacity of intermediate goods and reducing the import dependency.

All these documents comprise a broad range competition policy in various fields, from energy supply security to employment of women, from knowledge society strategy to the intellectual property regulations, from the structural unemployment to the public finance. As a public spirited organization representing the business community and considering the complementarily principle, we are ready to cooperate with the public institutions at every level to implement these documents. The improvement of the business and investment environment and the enhancing competitiveness and productivity constitute the basic premise of the long term growth. All our committees prepared their program with this basic fact in mind, and they will communicate it to you shortly.

I would like to stop now. This is the main lines of our outlook for the coming period. I thank you all for your kind attention. Let's hear now the members of our Board of Directors and then we will be pleased to take your questions. Thank you very much.