



**Mr. Mustafa Koç's speech titled
“Turkey-EU Relations and the
Role of the Private Sector” made
on May 30th 2003 at a Deutsche
Bank Conference**

Distinguished guests,

It is indeed a pleasure for me to address you today.

In my remarks, I would like to share some thoughts with you about Turkey-EU relations and the role of the private sector. Since 1950s the EU and OECD countries have played a dominant role in Turkey's political and economic relations. The EU is the part of the world economy in which Turkey today is most strongly integrated in every respect even though not a full member of the European Union.

Almost 60 percent of Turkish export revenues come from EU countries. The regional distribution of imports reveals a similar picture. EU countries represent the largest Foreign Direct Investment (FDI) in Turkey. In 2002 the EU share amounted to 65% of the total foreign direct investment. Most foreign firms operating in Turkey come from EU countries. At present, the main channel for the transfer of technology has been foreign direct investments. In this regard, Germany and Britain have played a very important role in the transfer of technology by foreign direct investments.

Almost 3 million Turkish workers are employed in the EU. Turkish workers established their own enterprises in the EU and have been intensifying trade and investment activities between Turkey and the EU. Remittances have reached the level of 3 billion US-\$ annually. About three quarters of the tourists coming to Turkey are coming from European countries and make an essential contribution to the Turkish balance of payments.

In March 2000, the Lisbon European Council set a strategic goal for the European Union: "to become the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010". Like other candidate countries, Turkey officially adheres to the Lisbon strategy. Turkey has a considerable potential to grow as a **dynamic market** and a **regional base for international business**, and this potential could be an important input for the EU in achieving its Lisbon Strategy goals.

In short, the Turkish economy is already integrated with the EU economy and offers significant mutual benefits.

I am hard pressed to recall any other time when Turkey was such a center of world attention. In fact, hardly a day has passed since last fall that Turkey was not featured on the front pages of the world's leading newspapers. The elections, the debate over Turkey's European identity, the Copenhagen summit of the EU, the different opinions over the war in Iraq, and finally the War itself and its aftermath all gave Turkey high visibility in the world community.

Some six and a half months ago Turkey held critical elections that turned out to be a political exterminator. An entire political class that had failed the country for far too long was swept aside. The electorate brought to power a young, inexperienced and untested party with an Islamic pedigree. That said, the AK Party did not come to power for ideological reasons. More important than ideology in causing their rise to power, were a succession of economic crises in the 1990s. Then there was the debilitating corruption of a tired political system and the unresponsiveness of the established order to the aspirations of a young, dynamic and fast modernizing society.

Thus ended, at least temporarily, the crisis-generating fragmentation in Turkey's politics. For the first time since 1991 the country had a single party government that enjoyed a two-thirds majority in Parliament. The newly found political stability and the absence of intra-coalition squabbling would make it easier to take hard but necessary decisions for the economy. Yet, as we all discovered the AKP itself was actually a grand coalition of diverse groups.

The AKP government thus faces the formidable challenge of staying the course in Turkey's economic stabilization program, push ahead with the reforms necessary for EU accession and restructure the Turkish state. The economic program cannot tolerate populist or irresponsible impulses. The key to future economic growth and the way to higher levels of Foreign Direct Investment is to see the program through and do that successfully. We wish the government luck but, we are also vigilant about making sure that they do not divert from the right course.

We as the private sector are committed to Turkey's progress towards EU membership. Our efforts are not limited to the extensive economic activity between Turkey and EU that has been outlined earlier.

Turkish Industrialists and Businessmen's Association (TÜSİAD) has also been a role model for many other Turkish NGOs with its efforts to integrate its activities with similar institutions, such as UNICE, and by establishing presence in Brussels and some other EU capitals. But perhaps more importantly, TÜSİAD has been acting as a think tank to identify important issues and prepare recommendations to bring the Turkish system closer to EU standards. For example, more than 90% of our recommendations regarding constitutional change were adopted by the Parliament last year. In short, TÜSİAD has been a credible institution putting forward policy recommendations and lobbying for change based on serious studies. TÜSİAD's focus on political and institutional reform is originating from our belief that these are critical for Turkey's progress towards EU membership and stability.

Economic stability is a function of Turkey's political stability. **Turkey's EU accession process is a dimension of that political stability that sends the right signals to the outside world about Turkey's prospects.** The EU is, among other things, Turkey's most important peg for economic growth, prosperity and full integration with world markets. Much to its credit the AKP government took the EU project with utmost seriousness.

In the weeks leading to the Copenhagen Summit of the EU the new government tabled two reform packages that would help harmonize Turkey's legislation with that of the EU countries. The chairman of the Party, Mr. Tayyip Erdoğan visited all EU capitals to present Turkey's case and lobby for a date to start negotiations.

However, the EU did not rise to the challenge at the Copenhagen summit and took only a half step by offering Turkey a *rendez-vous* for a date. Much to the satisfaction of the overwhelmingly pro-EU Turkish public, the government did not allow its initial disappointment to degenerate into sulking. A succession of reform packages showed AKP's commitment to the EU project. In turn, the EU began to send signals that are far more accommodating to Turkey than Turks were accustomed to receiving in years past. We now have a very short period of time ahead of us to prepare our National Program for EU accession and complete the remaining tasks of harmonization on our agenda.

In the past we have lost much precious time and allowed those who oppose the EU process to block progress. I am confident that this time around we will do the job right.

One should appreciate that membership in the EU is not just a technical matter for us Turks. It is the culmination of a journey that started at least 200 years ago and resulted in the founding of the Turkish republic. The Turkish public is overwhelmingly supportive of the project. Therefore, EU membership is no longer just the goal of a forward-looking elite, but the wish of the majority of the Turkish citizens. In these days, when the world is worried about a so-called clash of civilizations, I believe Turkey also has a historical role to play. **The success of our efforts to fully modernize along Western lines and join the EU will send a message to the world that Islam, democracy and freedom are fully compatible.**

In the wake of the war in Iraq, the core EU countries also seem to have understood this aspect of our relations more clearly. For this reason, I expect that the next assessment of Turkey's progress, so long as it is flawless and complete, will be fair.

Ladies and gentlemen,

I am optimistic about Turkey's prospects. The road ahead of us is a long and difficult one, but I believe we will be able to reach our destination sooner than most people expect.