



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

SPEECH DELIVERED BY
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TOWARDS TO TURKEY’S EU MEMBERSHIP”

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Dear colleagues, distinguished guests and members of MEDEF, good morning.

As always I am delighted to be here in Paris as a guest of MEDEF. Over the years, MEDEF International and its chairman François Perrigot have given us invaluable support at critical moments. To give us this platform in the prevailing political climate in France about Turkey is yet another proof of his fair-mindedness and his strategic thinking for France as well as for Europe.

I am also very pleased that the Governor of the Turkish Central Bank, Mr. Süreyya Serdengeçti could be with us today. I am sure that he has a lot of things that are of paramount interest for the French business community.

On the 6th of October the European Commission made public its Progress report on Turkey along with its Communication to the Council and to the Parliament and the so-called Impact report on Turkey's accession.

The report concluded that "in view of overall progress of reforms....., the Commission considers that Turkey sufficiently fulfils the political criteria and recommends that accession negotiations be opened."

Concerns have been justifiably raised in Turkey about the language used for the recommendations. ON the one hand the Commission suggests that "this is an open-ended process whose outcome cannot be guaranteed." On the other hand, the Commission adds that "the relations between the EU and Turkey must ensure that Turkey remains fully anchored in European structures." I would suggest that if the goal is the latter sentence then the means for it is indeed full membership, period.

Still the final recommendation itself is crystal clear and that is what we focus on. Our expectation is that, based on the Presidency conclusions of the Copenhagen Summit of 2002, the Council will see it fit to open accession negotiations with Turkey without delay.

It is our considered opinion at TUSIAD, as a representative institution of the Turkish business community, that there really is one and only one acceptable outcome for the December Council. Our thinking does not reflect a parochial aspiration that only thinks of Turkey's future.

As Europeans we think hard on the future course of the EU and wish to help in preparing a better future for all Europeans. We are convinced that Turkish membership is a mutually beneficial development in more ways than one.

Nowadays one cannot keep up with the production of papers and analyses that look at Turkey and Turkey-EU relations. In many of these the clear benefits in strategic terms of Turkey's adhesion are dealt with at great length. For those who favor and desire an "Europe puissance" Turkish accession appears to be a must. Those who would like to put teeth to the common

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European Defense and Security Policy that is the next big project of the EU believe that Turkey's contribution is essential.

Then there are those who argue -like the German Foreign Minister Joschka Fischer- that in the reconstruction of the West keeping Turkey as part of the Union is necessary. He and his Chancellor believe that Turkey's accession would be a gigantic step in furthering a dialogue between the EU and the Muslim world. This would be a boon for the integration of Muslim communities in European countries.

But I will limit my comments to what I know best. I will speak to you of our economic performance over the past three years. Then I wish to project into the future performance of a Turkey that is in the process of accession negotiations.

Turkey is set to be the world's record setter for growth this year: 13.5% in the first half of the year. What is more impressive is that this growth was achieved as the rate of inflation and interest rates went down. This positive performance and the future outlook are resting on three pillars: high growth, enhanced stability, and a comprehensive structural reform agenda.

In the past three years Turkey succeeded in combating high and chronic inflation and brought it down from more than 70% at the beginning of 2002 to less than 10% now. In 2002 and 2003 GDP grew by some 6.5% on average, well above Turkey's long-term growth average of 4.5%.

These improvements in Turkey's macro and financial fundamentals were the result of sound macroeconomic policies and extensive structural reforms. These structural changes were part of an economic stabilization program supported by the IMF and were also designed to adhere to EU norms and regulations.

Turkey's institutional and regulatory framework were brought to international standards, transparency and efficiency were improved in public procurements. I am sure the governor will speak to these issues in more detail so I need not do so myself. Suffice it to say that the Commission in its regular report observed the following: Turkey has made further considerable progress towards being a functioning market economy, in particular by reducing its macroeconomic imbalances. Turkey should also be able to cope with competitive pressures and market forces within the Union, provided that it firmly maintains its stabilization policy and takes further decisive steps towards structural reforms." Furthermore the Commission assessed that "the economic impact of Turkey's accession on the EU would be positive" even if relatively small but certainly not negligible.

It is our task and mission to continue with this performance. The opportunities are already visible but the risks have not altogether disappeared. The increasing complexity of the economic policies calls for the conservation of the climate of confidence. The continuation of the economic management's credibility and a refined and ingenious implementation of economic policy will secure the virtuous cycle of positive expectations-positive outcome.

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A renewed agreement with the IMF is a necessary condition for the climate of confidence to continue. We, therefore, appreciate the government's commitment to a new three-year program. Preserving financial discipline and finishing up the still incomplete steps of structural reform will also contribute to the welcoming economic framework.

The EU accession process is an important part of Turkey's journey. We are the EU's 6th largest customer and its 7th largest supplier. Just think of where we would be if with the accession process going apace our political stability is further consolidates. This, in turn would give further encouragement to the government for yet another round of daring reforms, some of which are recommended by the Commission as well. A recent report published by CEPS in Brussels estimates that the FDI Turkey would attract within two years from the start of accession negotiations might well reach 7 to 10 billion US dollars.

All indicators suggest that by the time of its accession the Turkish economy would be a powerhouse of sorts that would contribute to economic growth in EU member states as well. As one of Turkey's main trading partners and investors in Turkey France and French companies should benefit from this opportunity.

Finally, I wish to talk about the touchy topic of demography and whether or not France and other countries would be flooded by unwanted surplus labor from Turkey.

Turkey is indeed undergoing a demographic transformation. The share of the potential labour force in Turkey is increasing within the overall population. Family size is getting smaller; patterns of a consumer society are already prevalent particularly in the Western parts of the country but spreading rapidly all over.

The EU population is ageing. The ILO already reported that by 2020 EU countries would need close to 30 million immigrants just to keep things going. Therefore the Commission's recommendations are exceedingly important. Turkey needs to invest massively in its educational system and substantially improve the quality of its human capital. This will be done because we need it to be done. Both FDI and investment by local business world will increase the rate of investment in Turkey. This suggests that the rising supply of labor is going to be absorbed by the demand that such investment activity created and will not seek opportunities abroad.

Dear friends, ladies and gentlemen, Turkey will be an asset for the European Union. In more ways than one. We always thought that France was the unique country to see this more clearly than others. This current moment of history proves otherwise but we believe this to be a passing phase.

When emotions settle, common sense and the Cartesian mind will defend the right and the only sensible course. We know this from our association with MEDEF, we know this from our knowledge of the true France.

Thank you and I hope you enjoy our panel.

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