

TÜSİAD

**OPENING ADDRESS OF
MR. ERKUT YÜCAOĞLU,
PRESIDENT OF THE HIGH ADVISORY COUNCIL OF
TÜSİAD
AT THE 43RD GENERAL ASSEMBLY**

**January 17th, 2013
Four Seasons Hotel, Istanbul**

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Honorable President, Esteemed TÜSİAD members, Distinguished Members of the Media,
I salute you all, on behalf of High Advisory Council of TÜSİAD

Welcome to our 43rd General Assembly. TÜSİAD is now 43 years old. It has 600 distinguished members representing about 4.000 companies. These figures show the singular place of TÜSİAD within the Turkish business community; and indeed its activities in the country and abroad are on a par with this place. Please allow me enumerate once again. TÜSİAD represents our country in many international platforms, including EUROBUSINESS (Confederation of European Business), B20 platform, OECD-BIAC and Institut du Bosphore. There are 10 committees and 34 working groups under the Board of Directors. 20% of our members take charge in these committees and working groups

Moreover our members assume responsible positions in TÜRKONFED (Turkish Enterprise and Business Confederation) which has nearly 10.000 member institutions, in regional SİAD (Industrialist and Businessman Associations) federations, in sectoral federations, and in the Business Councils of DEİK (Foreign Economic Relations Council). Our President Ms. Ümit Boyner and the members of Board of Directors worked in this framework with great self devotion and their performance and their attitude earned them a privileged place in the heart of the general public and made us proud. I would like to express our gratitude on behalf of our association.

I want to use this opportunity to thank to our General Secretary and all the employee of TÜSİAD for their effort. Today we arrived at a passing zone in this never ending relay race. The tasks of every Board are harder than the previous one. The expectations from our association increase every year. I wish to the new Board to be elected by our General assembly a successful office term and all the best luck.

As you know, in 2012 the world economy has been through a number of difficulties. Some of these problems have been left to be solved in 2013. The debt crisis in EU has put the world economy on the edge of a cliff. But at the last minute the European Central Bank saved the day by declaring its commitment to do whatever it takes to preserve the Euro and provided abundant liquidity. Europe is relaxed following the support given to Spain and the writing off a huge part of the sovereign debt of Greece. But this tranquility came with a price. Growth in Europe squeezed down to zero. The collapse of the Euro zone has been avoided at a price of zero growth rates for at least a couple of years. Furthermore, unemployment and social unrest caused by austerity still exist. There are elections going on and political leaders are changing. We think that the ultimate solution in Europe could come after the elections in Germany in this autumn.

The US economy has just avoided the fiscal cliff. The Obama Administration seems to reach an agreement with the Republicans on tax issues. But until late February, there is a consuming debate over the debt ceiling and spending cuts on this year's budget. There is no conclusion yet to this bitter debate. Nevertheless, it seems that a recession is avoided although the growth rate will be below the target. Growth in emerging markets is stronger and more vigorous but far below from the levels observed before 2008. This year, growth is expected to accelerate in China and Far East.

As you know in 2012, Turkey was way away from all these problematic developments and experienced a controlled soft-landing process. We think that the growth rate will be around 2.5-3%. Current account deficit decreased significantly as a result of a pause in imports and a

surge in export revenues. Turkey realized a significant achievement by reaching to new export markets when the growth in domestic demand was inexistent. It is estimated that exports are going to be 152 billion dollars in 2012. Meanwhile the rate of inflation fell down to 6% and real interest rates came close to zero. All these make a very suitable environment for extending production and undertaking investments. Looking from this perspective, we think that growth prospects should be much higher than the levels foreseen in the current plan. We perceive that Turkey could easily achieve at least 5% or 6% growth rate in 2013. Because we observe that the private sector is planning a growth 8-10%. There are many positive developments; there are increases in confidence indices and industrial production indices. These already are the leading indicators of a revival in growth.

However, as you know we have to grow 7% on average in order to meet the targets set for 2023. We haven't yet reached a consensus on which healthy steps should be taken in order to arrive at those targets. Of course the main point is to conclude the structural transformations that will push up the value added.

We are in a fortunate time to improve our competitiveness. The strong commitments in monetary and fiscal policies persist. We are entering a period of increasing privatizations revenues. We expect that these revenues will not be just another source for the budget, but will be allocated to education, R&D and productivity enhancing infrastructure projects and also will be used to support the competitiveness of our industry.

In the world there are big changes and structural transformations on the energy issues. You know, thanks to the big leap in the shale gas technology, the US has reduced its natural gas prices to one fifth of Europe and one eighth of Far East. This is a big competitive advantage and we hear that many companies are planning to bring their production back to the US. In Europe, natural gas consumption has decreased and coal consumption has increased. Thus the situation is as follows: The US is abandoning the use of coal as the natural gas prices fall thanks to the shale gas. This leads coal prices to fall. As a result, Europe using expensive natural gas reduces its consumption of natural gas and reverts back to coal. These are very important developments.

In next decade, it is estimated that the US will become a world leader in oil and natural gas production and become a net exporter. Furthermore, it is said that in the coming 20 years, 45% of the increase in world oil production will come from Iraq. This means a big surge in oil receipts of Iraq and a huge export potential for us.

We hope that, following the contraction in 2012, this year the private sector investments will recover significantly, domestic demand will surge and exports will continue to expand. However, in order for this prospect to be clear, I want to reemphasize the four conditions of pushing up the growth rate to 5-6%:

- a) Current deficit should be kept under control and 5% inflation target should be kept,
- b) Strong fiscal balances, budget discipline and healthy debt management should continue,
- c) Public expenditures in the elections years of 2014 and 2015 should be undertaken within the terms of the Medium Term Program.
- d) Investment projects that will bring forward increases in value added should be prioritized.

Looking only at the economic indicators or at the world trends, there is a significant potential for Turkey for a leap forward. That is true. But the big picture is not all about these. Aren't there any risks? Of course there are. Will Turkey be able to use this opportunity? We will see that in due time.

Esteemed Members of TÜSİAD

I talked about the big picture. We have to arrange the risks in the big Picture in two groups: One of them is related with foreign policy, the other one with the domestic politics. About the foreign policy, there are grave developments in our neighborhood. The political balances in Iraq are deteriorating; there are rumors of the risk of partition of the country. In Syria, there is a civil war and no one knows when it will end. Moreover Israel and Iran maintain very rigid discourses and positions on Middle Eastern issues. When we look into these developments we see that there are a multitude of hostile attitudes towards Turkey coming from many angles. This is the risk. Turkey has to eliminate these hostile attitudes. This means that Turkey has to assume a serious, consensus creating profile, active in problem solving, but detached from the hot conflicts. This means that we will be active with a risk reducing foreign policy axis.

We think that it is possible for the new post-election US government to work in closer cooperation with Turkey in the foreign policy issues concerning Turkey and in our region. The EU also seems to become softer on Turkey. We know that during its term presidency, Ireland, will attempt at opening new chapters of negotiation.

Returning to the second risk group, you know that the most important current development is the process which started in 2013 to solve the Kurdish problem. We see that this will be a very complicated, multi staged process and will probably include forward and backward steps. We still wait for a roadmap illuminating the course towards a solution, we follow developments with hope. The end of terrorism, the implementation of democratic rights and practices will contribute enormously to the economic, political and social future of Turkey.

So, we are back to the same fundamental point once again: To raise the democratic standards in Turkey, the works for a new constitution should be carried on rapidly and comprehensively. From the citizenship to the cultural rights, from the local governments to the freedom of expression we believe that soundest foundation can be constructed on the basis of the European standards in every sphere.

Our expectations are for a democracy based on universal values and human rights, for a democracy according to the principle of separation of powers, for a transparent, democratic state of law. This is the only way for our country to take its well deserved place among the developed countries of the world.

Permit me to leave this general panorama and share with you the quintessence of a book I read recently. The writer is a Harvard professor named Stephan Greenblatt. The title of the book is *Swerve* and it tells about the life of a man, a papal secretary in a number of courts in the year of AD 1400s. The hero works a lifetime to bring into the open world classics and what he reveals is this: Between the years AD 50 and AD 1400 Europe moved away from the "universal values" and under the oppression of the church it drifted towards what we call the Dark Ages. During this period of 1400 years, except certain important theological works, very few classics were written.

During this period there are a wide-ranging legal and scientific studies and literary works in the Eastern civilizations. The book depicts how the invention of the printing press, the printing and the spread of the classics triggered the Renaissance, how the European civilization rediscovered human rights and universal values after 1400s. The book excited me because I see that in Turkey we still discuss whether some of the world classics are prejudicial or not. Our children should read the reference books to find out about the universal truths created by the Eastern and Western civilizations. We must clear their way to assimilate these values. I believe that this is about a third group of risks, esteemed members.

The current global circumstances, the crises and conflicts in our region, the requirements of our economic and political world, the expectation of welfare and security in our society, all these prohibit even the utterance of the contingency of failure. This process encumbers us with great responsibilities. We all know that TÜSİAD will always discharge its share of responsibilities without hesitation.

I thank you for your kind attention, and salute you with my sincere regards.