

# TÜSİAD

**THE SPEECH DELIVERED BY**  
**MR. MUHARREM YILMAZ**  
**THE PRESIDENT OF TÜSİAD**  
**AT THE**  
**TÜSİAD HIGH ADVISORY COUNCIL**  
**MEETING**

**20 September 2013**  
**Çırağan, İstanbul**

**TÜSİAD AVRUPA İŞ DÜNYASI KONFEDERASYONU (BUSINESSEUROPE) ÜYESİDİR**

**İstanbul:** Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul -Türkiye  
**Ankara:** İnan Cad. No:39/4 Gaziosmanpaşa 06700 Ankara- Türkiye  
**Brüksel:** 13. Avenue des Gaulois, 1040 Brussels-Belgium  
**Washington D.C.:** 1250 24th Street, N.W., Suite Nr. 300, Washington D.C.20037-USA  
**Berlin:** Märkisches Ufer, 28 Berlin 10179 Germany  
**Paris:** 33, Rue de Galilée 75116 Paris France

**Tel:** +90 (212) 249 19 29  
**Tel:** +90 (312) 468 10 11  
**Tel:** +32 (2) 736 40 47  
**Tel:** +1(202) 776 77 70  
**Tel:** +49 (30) 288 786 300  
**Tel:** +33 (1) 44 43 55 35  
[www.tusiad.org](http://www.tusiad.org)

**Faks:** +90 212 249 13 50  
**Faks:** +90 (312) 428 86 76  
**Faks:** +32 (2) 736 3993  
**Faks:** +1 (202) 776 77 71  
**Faks:** +49(30) 288 786 399  
**Faks:** +33 (1) 44 43 55 46

**e-mail:** [tusiad@tusiad.org](mailto:tusiad@tusiad.org)  
**e-mail:** [ankoffice@tusiad.org](mailto:ankoffice@tusiad.org)  
**e-mail:** [bxloffice@tusiad.org](mailto:bxloffice@tusiad.org)  
**e-mail:** [usoffice@tusiad.us](mailto:usoffice@tusiad.us)  
**e-mail:** [berlinoffice@tusiad.org](mailto:berlinoffice@tusiad.org)  
**e-mail:** [parisoffice@tusiad.org](mailto:parisoffice@tusiad.org)

Honorable President of the High Advisory Council, Esteemed Chairs, Distinguished Members of the Media, Dear Guests and Fellow TÜSİAD members,  
On behalf of the Board of Directors of TÜSİAD, I salute you all with my sincere regards.

Welcome to the meeting of the High Advisory Council.

Dear Guests,

During the last ten years, high availability of funds in the money markets and the resulting low interest rates contributed to the growth of emerging markets considerably. But now, we are in a period of time during which the financial conditions shaping world economy of the recent years is changing.

In the previous period, two factors, or in fact two financial bubbles enabled financial markets to supply abundant funds to the world, and particularly to the emerging markets: The first is the pre-2008 crisis financial bubble of the developed countries; and the second is the financial bubble caused by extremely loose monetary policy of the Central Banks following the crisis. It was obvious that neither was sustainable.

As a matter of fact, since June, the signs from the FED, the central banking system of the USA show that this easy money period is coming to an end. The recovery process in the developed countries and particularly in the USA is progressing. However, the economic performance of the countries which kept growing when the developed countries were in deep recession, started to deteriorate. This is also true for China even if the deterioration in this second largest economy of the world is not as bad as in the others.

From now on, we will live in a world where the global financial resources are more limited, or to put it more correctly, more realistic.

In fact, with its large size and openness, the Turkish economy has been significantly affected by these transformation periods, and will keep to be affected. In the coming period, the historical potential growth rates of emerging market economies will be a thing of the past. Potential growth rates of the countries in this category, China included, will be revised down.

If we consider financial fluctuations of the last 4 months which indicate the end of the second bubble, we see that our Central Bank was forced to adopt a policy of balancing growth and inflation targets, as were the central banks of the other emerging market economies. We observe also that the interest rates were not used as an instrument in this process and exchange rates increased sharply. During these extraordinary periods of transition the job of the central banks becomes surely extremely hard and they have to assume additional responsibilities. As a result of this, often their instrument sets become more extended.

We think that this policy choice will be appropriate if and only if the inflation target is attained. Once the effect of the bubble is over, the greatest risk before us will be missing the inflation target. We will assess the monetary policy of the Central Bank within this framework.

Dear Guests,

According to the TÜSİAD forecasts, we expect that the growth rate will be around 4 percent this year because of financial restrictions. This figure indicates an economic performance

clearly lower than what we desire. The global macroeconomic developments and uncertainties that I just tried to analyze require an urgent reconsideration of our middle run growth model.

During the next few years when we will have to manage low growth, the quality of the growth will be of utmost importance. Priority policy areas during this period should be to preserve the public finance balances, to strengthen a monetary policy privileging price stability, and to increase the efficiency of the public spending. I would like to underline the importance of the promotion of the regional development, and the incentive schemes for the employment and R&D. During this coming period of time when the growth will probably remain limited, the continuing efforts to lower non-wage labor costs and not creating new burdens on the cost of employment are also of critical importance.

A growth rate less than 4 percent means low growth for Turkey. What we need is to increase our average growth rate to around 6 percent when the financial bubble is fading out. In order to attain this growth target, bold and firm measures are required in three spheres.

The most important among these policy spheres is —as foreseen by the 10th Development Plan— increasing domestic savings rate, and how to increase it. The only sustainable solution to the problem of chronic current account deficit caused by growth rate is to increase the domestic savings rate. Given the current state of the low domestic savings rate, this issue can be said to remain one of the major problems of the Turkish economy. The domestic savings rate should increase at least by 3 percentage points, and this can be realized only through reforms in the following key areas: the fight against unrecorded economy, strengthening of the social security model, the development of the insurance system, and easier access to the capital market instruments.

The second crucial sphere of reform is related to the success of the Solution Process. As long as political actors accomplish what is expected from them, the business community will keep doing their part; the development will be accelerated and the region will prosper. As pointed out in our research report launched earlier this year in Cizre, the development of the East and Southeast Anatolia Region will contribute to our economic growth, increasing the potential growth rate by 1 percentage point.

Dear Guests,

The third reform area to bring middle run growth to the level of 6 percent encompasses a series of supply side structural reforms. We all know the supply side reform agenda; we unremittingly express our opinion about the various issues in this agenda: I can list straightaway nearly 50 items, from the reforms in the energy sector to the income tax law, from the regulations on the intellectual property rights to the flexible labor markets.

However, at the center of the supply side structural reforms to increase the added value sustainably lies the education. All the researches show that the countries that do not create a qualified labor force well educated in the fields of science, mathematics, engineering and technology are doomed to fall behind in the development rankings.

Unfortunately, Turkey is below international averages in two of the most important indicators of the quality of education: the PISA tests assessing the literacy of the 15 years old students in three competence fields, reading, mathematics, science; and in the TIMMS evaluations assessing educational achievements in mathematics and science.

TÜSİAD Board of Directors considers this as of major importance. We are organizing to take a complementary role in the preparation of a series of educational programs, textbooks and their enhanced version within the framework of FATİH Project. We also carry on our efforts on the issues of “Education of educators” and “Well educated labor force science, mathematics and engineering”. The work of our experts shows that well targeted education policy measures alone can boost economic growth by 0.5 to 1.0 percentage point, while improving the quality of growth as well.

Dear Members,

Today I would like to address also the issue of European Union which is a crucial reference point both for the sustainable economic development and for the democratization of our country.

The EU membership objective of Turkey is a matter of primary importance for the business community of Turkey. Following 17 years of Customs Union and as a result of ongoing legal harmonization process, the economic and social life of Turkey has become fully integrated to Europe. We have to put the staggering European Union membership process back on track.

As TÜSİAD, we insist demand that negotiation for the 22nd chapter on the “Regional policy and coordination of structural instruments” to be opened immediately, followed by the negotiations for the 23rd chapter on the “Judiciary and fundamental rights” and the 24nd chapter on the “Justice, freedom and security”.

I want to address to the EU members and authorities. Who can suffer from the opening of the negotiations for these chapters? Who can benefit if these chapters remain closed? We need the EU’s constructive and sincere attitude in this issue.

We also demand that a target date is determined for the EU membership. We believe that the most suitable date of Turkey’s full membership to the EU would be the enforcement date of the Transatlantic Trade and Investment Partnership Agreement whose negotiations is esteemed to take 4 to 5 years.

Prof. Kemal Kirişçi working at the Brooking Institute as TüSİAD researcher prepared a report analyzing the importance of the project of the Transatlantic Trade and Investment Partnership Agreement and evaluating its impact on Turkey. This report demonstrates that the economic development and the democratization of Turkey will be seriously impeded by its exclusion from the Transatlantic Trade and Investment Partnership Agreement. The report shows also that in the case of its exclusion Turkey will move out of the system of Western values, economically and politically.

It is unacceptable for Turkey to be excluded from this new integration project of the Western world; the Turkish business community will keep a close watch on every stage of this process.

Dear Members,

Democratic hopes that got off the ground with the Arab Spring that impressed all of us has unfortunately suffered a serious injury with the military coup in Egypt and left us deeply disappointed. We support wholeheartedly the reaction of our government. The military coup is a poison whose antidote is an advanced democracy. In this context, our greatest support to them would be to achieve a democratic state of law to provide a model for these nations.

When the winds of Arab Spring began to strike Syria, Turkey made a great effort for managing the process in Syria peacefully. Unfortunately the civil war couldn't be prevented. As the crisis gained new dimensions, the policy adopted proved to be ineffective, and caused Turkey be seen as one of the conflicting parties. Today, the international community has accomplished positive progress towards a diplomatic solution. We hope that a permanent solution will be established in Syria without a military intervention.

As a conclusion to my evaluation of foreign policy, I want to state that we expect and hope that the Turkish foreign policy will be managed in a way to position our country as an agent in solution processes and not in confrontation, in line with its deep seated pacifist tradition.

Dear Members,

I want also share with you my observation about the palpable worry both within the country and abroad created by the ever growing anti-Western discourse in our country. The discourse about many countries being enemy of Turkey, and the strong language used towards neighboring countries and the Western world diminish the weight of what Turkey say in the eyes of the international community.

Many times in the past, even during the Cold War, we witnessed many serious disputes and conflicts of interests within the Western alliance which includes us since 60 years and nobody suggests a parting. Recently the information gathering activities of the United States National Security Council violating the communication privacy created not only a reaction but an widespread indignation in Europe, and particularly in Germany. But even the serious tensions there proved not to be an obstacle to the close collaboration of the allies. An offending, dismissive attitude determining the political climate is nowhere to be seen. We should appreciate this approach and this attitude.

The adoption of democracy, the supremacy of law and a secular public administration respectful to all beliefs is one of the characteristics of the West, our main reference for the goal of modernization we have embraced since the final period of the Ottoman Empire and the establishment of the Republic. An environment where the rights of the individuals, judicial independence and the state of law are secured is also an environment required for the creation of economic welfare. The substance of the Copenhagen political criteria that we undertook to comply according to the "Turkey – EU Accession Partnership Document" is essentially nothing but this.

If Turkey takes a path which recede from these criteria it will find itself in a blind alley.

Dear members,

Ever since our report "Democratic Perspectives in Turkey" we launched in 1997 when Turkey was most introverted and generally accepted as one of the most significant reference about the democratization in Turkey, we adopted a position which brought these principle and the primacy of the civil politics forward.

We defended the democratization of Turkey, establishment of a state of law and judicial independence, accepting no apology for the current state of affairs at every platform. We gave our support to the solution of the Kurdish problem. We shared our propositions with the political institutions and the public when necessary.

Dear Guests,

We supported the government initiative to solve the Kurdish problem since the beginning. In the Cizre investment summit, we gave a clear and net message that we will take our share of responsibility in the economic dimension of the problem. We backed all the necessary efforts for the successful conclusion of the “Solution Process”.

Every section of the society is pleased to see that the violence and terrorism has been stopped in the country now for 10 months; this state of affairs should be accepted as a successful stage of the process.

One of the most important factor to make this peaceful atmosphere permanent is the democratization package which is currently on the national agenda. We expect and hope that the package serve to the following three goals.

1. To take political measures securing the sustainability of the social peace and an environment free of violence and terrorism;
2. To reverse the current widespread impression that Turkey is regressing with regard to fundamental rights and freedom; to increase the general confidence;
3. To accelerate the preparatory works for a new Constitution based on the individual rights and freedom, and appropriately answering to the demands of EU accession process and the Solution Process.

In fact this package is a very important opportunity to implement all the legal prerequisite of the Copenhagen political criteria. To use this opportunity in the best way will extremely strengthen the hand of Turkey in the EU process.

Dear Members,

While talking about the democratization package I want to mention a great problem, a great sorrow we do not want to permit to be forgotten. In Turkey there is a long list of political murders and massacres by unidentified assailants and some of the cases have remained unsolved for more than forty years. The truths are unavailable for years. It is impossible to remain insensitive to the outcries of despair of Hrant Dink’s family. We want to state once again that in the days when Turkey discusses the democratization package, the new constitution, the solution of the Kurdish problem, these unsolved tragic events should be clarified, so that Turkey can be free of this heavy burden.

Since the beginnings of the 2000’s Turkey has taken substantial steps towards liberalizing, demilitarizing and democratizing its system. It has managed its economy in a reformist spirit and with self-discipline. The welfare level increased considerably. Our prestige and significance has increased in the international political arena. Consequently, the achievements in this period made Turkey a model country.

These days when the world develops and restructure itself rapidly, we need to consolidate these achievements. To regress from these achievements would be a pity for all of us. We should avoid harsh and furious discourses that wears down the society and creates polarization and social disintegration, and we should work in devotion and harmony for the targets of the hundredth anniversary of our republic. Without doubt, TÜSİAD and all its members will continue to give their broadest support in order that Turkey implements new reforms and make a strong leap forward.

Dear guests, I thank you for your attention and your strong participation which encourages me. I wish all the success to the experts we expect to throw light on the issues on our agenda. I wish also that this High Advisory Council meeting would be a beneficial and successful means of deliberation.