

TÜSİAD

OPENING SPEECH OF MR. HALUK DİNÇER

“45th GENERAL ASSEMBLY OF TÜSİAD”

22 January 2015
Istanbul, Four Seasons Hotel

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

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
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org

Esteemed Chairs, Dear Fellow TÜSİAD Members, Distinguished Members of the Media,

Welcome to the 45th General Assembly of TUSİAD. I salute you all with my sincere regards in my last day as the President of the Board of Directors of TÜSİAD.

The year of 2015 did not begin on a hopeful note. I believe that the global economic crisis and the political imbalances it generated is the main cause behind what currently we are going through.

The global economy has not succeeded to recover completely from the crisis of 2008. Deflation is a serious threat in many countries. Even though protectionism is not practiced openly, the economic measures taken by many countries have a negative impact on the trade volume.

Furthermore, it is easier to recognize now that the crisis was not limited to the economic sphere, but it triggered a legitimacy crisis of political frameworks. The institutional structure which provided a basis of operation for the international economic activities since the Second World War proves to be inadequate in the new conditions. This means that we have a problem of governance in front of us. The measures in order to answer the need of new institutions and new rules which reflect the new realities of the world economy and politics and the power shift to the east and south are not taken yet. The dominant countries of the past resist this transition.

In this context, the problem of corruption has a well-deserved place on the global agenda and is being discussed extensively. Hence, G20 which will be presided by Turkey this year, has decided in the recent Australian summit to place the fight against corruption on the top of its agenda.

On the other hand nearly in every country citizens' confidence to the ruling classes has deteriorated as a collateral damage of the global crisis. Not only in Europe and USA, but also in China or India the state of affairs shows us that a similar situation prevails everywhere. We believe we have to see through this lens the political advances of populist movements, the political discourse aiming at capitalizing on xenophobia and the tendency toward more authoritarian regimes.

About the most important issue to shape our future, the climate change denial is finally coming to an end. According to a report released last week, the year of 2014 was the hottest

year on record. These data are very alarming about the urgency of the issues of the climate change and global warming.

Moreover these issues have a security dimension as well as an economic one. If we cannot control global warming, we will face a world of desperation and violence because of the draught and mass human migrations. The business community absolutely should contribute to the global efforts against this dismal possibility.

Dear Members,

The terror attacks in Paris which shocked the entire world have initiated a comprehensive discussion about their causes and possible outcomes. What is maybe more important, the opinions about what is to be done, what can be done are widely debated.

Paris massacre has also an aspect of an attack against the ideas of “laicism” and “freedom of expression”. In this dimension, Paris shooting is also an attack against the “unity in cultural plurality”, the target not attained yet, but adopted as an ideal by Europe.

There are deficiencies in the European policies aiming at the integration of the Muslim population, and also there are factors paving the way towards the trap of the extremists which influence the youth who pay a heavy price for the social segregation created by this setting. These factors complicate the accomplishment of the aspiration for the peaceful and respectful coexistence of different cultures.

Of course every kind of terrorism should be decisively fought against. However merely security measures is not enough to overcome this deep rooted problem. In order to struggle with terrorism successfully, its causes should be diagnosed correctly and remedied accordingly.

Freedom of expression is categorically an indispensable value and the conditions under which it can be restricted is defined within the framework of European Convention on Human Rights signed by Turkey as well.

In a state of law, which discourses or actions break the legal limits and constitute a crime is evaluated within the framework of law. Otherwise, arbitrary restrictions would violate the freedom of expression and the freedom of press.

We have to bring home the spirit of the Paris March whose call for freedom of expression and tolerance is shared by Turkey; we need this spirit in our domestic disputes as well. As the general election day gets closer, we expect resurgence of messages supporting social peace and coherence.

Dear Members

I feel the need to underline at this point, the importance of Turkey's own experience and the lessons it drew from its history in relation with these recent development. We may judge that the people who are unable or unwilling to appreciate the Republican era have not adequately examined the extent and the depth of this experience and its importance with respect to global and Islamic history.

200 years ago the Ottoman Empire had the willpower of counteract its deep crisis with a program of modernization. This is the defining moment of our historical experience. Ottoman Empire is one of the most important and influential political and cultural center of the human history. However nostalgia for an imperial epoch which missed the industrial revolution and failed the transition to a modern state system to become a democratic society of equal citizens would be meaningless. The Republic is the period when the modernization attempts of the late Ottoman era are furthered in new dimensions such as nation-state, state of law and transition to democracy.

All the positive and negative developments are lived through within this historical framework which is both correct and necessary. As we covered more ground in the process of democratization we better understood in this context the importance of laicism, the freedom of conscience and religion and the principle of not forcing one's life style to others in the society. Politics is not about private and spiritual life of people. It just provides a guaranteed basis for these and other freedoms. I believe that today we have to hold on and protect vigorously the principles of equal citizenship, social gender equality and laicism.

The target of European Union membership of Turkey was adopted as a concrete new phase of this modernization process. TÜSIAD has been one of the most steady and active supporters of this target. However our admiration and support to the integration experience represented by the EU do not inhibit us to observe the problematic aspects of the project.

In many countries, racist, xenophobe, and in certain cases anti-EU far-right political parties gained an important momentum during the European Parliament elections of the last year.

Evidently, 21st century is preparing a new test for the democracy. All the modern democratic countries are in need of more participatory, more sound, more courageous and more people oriented policies.

For the coming years the EU stage is set for the struggle between a mindset which puts forward universal and all-embracing values, and a more inward oriented mindset. In this period not only policies aimed at the Muslim community and citizens but also the choices of these communities and individuals will determine which alternative will prevail.

Turkey, faithful to its own historical experience can take a constructive part in this struggle. On the one hand it should hold fast on the principle of laicism as the protector of all beliefs and on the other it should construct its own European project and develop a new language and a new channel of dialogue with the EU. To the extent of its success in this effort, Turkey will secure a standing in the world politics which agrees with its original historical experience.

During the recent months we continued our efforts towards this goal with the visit of our Board of Directors to Brussels and our report on the “Future of Europe” launched with sister organizations of the European business community and with think tanks from Germany, Switzerland, Poland and Turkey. We have on our agenda about EU relations difficult issues such as legislative alignment, extending the scope of the customs union to include services and agriculture, opening of new negotiation chapters, particularly on public procurement, social policy, energy and competition, and taking bold steps in order to solve the Cyprus problem

Our efforts make a difference. As our chairman of the High Advisory Council, Mr. Erkut Yücaoglu clearly stated, **BUSINESSEUROPE**, the organization of the European business community whom we are a member supports our negotiation process with the EU. **BUSINESSEUROPE** also defends officially that we should be included in the Transatlantic Trade and Investment Partnership (TTIP) between the USA and the EU. It says “Include Turkey, Switzerland and Norway; this will benefit European economy.” We are the first institution who put Transatlantic Partnership on the Turkish agenda and we will pursue this aim relentlessly.

Dear Members,

Turkey is a country who can adapt to extraordinary circumstances quickly. Following the crisis of 2001 which we created by ourselves, we underwent through a continuous reform

process both in the political and economic realm and consequently this contributed to our current economic resilience,.

The winds of reform subsided with the onset of the global crisis. An important number of structural reforms was fulfilled but attempts of further reforms to improve the state of affair of our democratic and economic life remained uncompleted. Today, Turkey is still situated at the edge of the middle income trap. Attaining the middle income status was not easy but the global conditions were favorable at this stage of the racetrack, and we made good use of this positive climate. However the timing of the impact of the global crisis was unfortunate in regard to the micro reforms and reforms on democratization. The last seven years we adopted and implemented important policies for economic recovery. Yet, the number of transition packages and judiciary reform packages launched one after another recently shows that there is still a lot to be done.

The incumbent 62nd cabinet took off with a comprehensive roadmap which included many reform area such as development, competition and macroeconomic stability. We were contented. On behalf of the private sector we are pleased to affirm that the choice of transition areas and the action plans within them are adequate. However how and when these transition programs which involve one to two thousand regulations will be implemented?

These documents state certain dates as targets. However a new work is needed to determine priorities. We can use the four years of post-election window of opportunity as a period of comprehensive reforms. This is why, during coming weeks before the general elections we are planning meetings between TÜSIAD and political parties. We desire to share the point of view of the business community on the priority reform area and assess mutually this issue.

I would like to share with you as well, the summary of certain essential points and question of the document we are working on and we will share with the political parties.

- 1- What should be the prioritization and scheduling of the reform agenda which include subtitles such as short, middle and long term? When each reform will be implemented?
- 2- Our weakest spot is the financing the growth. What are the short, middle and long term policies to increase domestic saving 3 to 5 percentage points?
- 3- The contribution of growth to the total factor productivity is very limited. Hence as soon as the growth rate accelerate we start to have current account deficits. This is one

of the factors damaging our competitive power. Only education and technology increase the total factor productivity... What are the education, technology, R&D and university-industry collaboration policies to increase total factor productivity?

- 4- The large unrecorded economy is one of the main factor distorting the competition. What are the policy recommendations to reduce the unrecorded economy by at least 10 percentage points?
- 5- Our labor force participation rate is very small. We are stuck at about 50%. The only factor to increase it, is the participation of women to the labor force and employment. How to implement integrated policies to increase is the participation of women to the labor force and employment?
- 6- There is a serious erosion in confidence to the judicial system and to the supremacy of law. This is a crucial weakness affecting both the credibility of the country and its economy. What are the confidence enhancing measures in this realm?
- 7- The education system do not produce people with the qualities demanded by the business world. This is obvious. What is the new reform proposal? What are the proposals concerning the scope, the content and the educators?
- 8- We are not pleased with the share of the industry in the total economy. This is the reason of the growth unable to generate employment, or generating low quality employment. How to raise once again the share of the industry from around 15 percent to 20 percent or more?
- 9- Do the energy sector have problems with respect to supply security and competitive market conditions? If so, what are the countermeasures?
- 10- Will the structure and autonomy of the independent regulatory institutions be developed? Will the role of these institutions in the market economy change?
- 11- Public finance is the strongest policy area of Turkey. Given that, can the composition of the public finance be restructured in a way to enhance growth?
- 12- What is our roadmap for the reconciliation process? According to our economic calculations, a successful reconciliation process may add 1 percentage point to the growth rate. Do you have a similar study?
- 13- TTIP agreement is on its course to be finalized soon. There are studies asserting that exclusion of Turkey from this agreement will have a great negative impact on our economy. TTIP negotiation may require a revision of the customs union framework. How this challenging process will be managed? What is the level of our preparedness?

14- Taking into account the climate change, decreasing natural resources, dependency to foreign resource in energy and evolving global production models how should we chose our steps towards a green growth and design the transition period?

15- The geopolitical risks in our region renders Turkey very vulnerable. Is there a policy proposal to reduce the effect of these risks on Turkey?

For some of these question we have our answers and recommendations. We are still working on some others. These assessments and questions are among the issues we are handing over to our next board of directors. I wish all the success to the new board in this subject.

Dear Members,

There are policy areas which may bring us on a growth path of around 6 percent and thus decouple the growth potential of Turkey both from the other emerging markets similar to us and from the EU countries we want to be a member. All we need is to insist on the reforms with a participatory spirit and shared wisdom. As I retire from the office, this is the message I want to get across to the public

I would like to express my thanks to my esteemed presidents, with whom I am honored to work with during both my Vice Presidency and Presidency, to the Chairman of the High Advisory Council Mr. Erkut Yücaoglu, to the Presidents of the Board of Directors Ms. Arzuhan Doğan Yalçındağ, Ms. Ümit Boyner and Mr. Muharrem Yılmaz; I would like also thank to my esteemed colleagues I worked in the Board of Directors. I will always support TÜSİAD and own its value. I salute you with my sincere regards and express my gratitude for your support during my presidency.