



**OPENING SPEECH BY**

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**OF TÜSİAD**

**AT THE “HIGHER ADVISORY COUNCIL” MEETING**

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Mr. President,

Chairman of the Republican People's Party Mr. Kılıçdaroğlu,

Distinguished Deputies, Distinguished Bureaucrats,

Esteemed TÜSİAD members, Esteemed Guests, Esteemed members of press,

I'd like to greet you all with respect on behalf of the Higher Advisory Council Presidential Board. We are grateful that Mr. President has honored us with his presence. We would like to thank each and every one of our guests for their participation.

In this first meeting following the local elections, we would like to congratulate the elected local governments and also wish them success in their proceedings.

I wish to stress that it is of utmost importance for our new mayors and city councils to embrace the society as a whole and serve them in a participatory, transparent, urban and environment-friendly way to allow our democracy to develop.

Esteemed Guests,

I will make this a short address. First, I'd like to talk about the four pillars of the brand Turkey: Foreign policy, democracy, rule of law and economy. In foreign policy, the world press focused on our country in the first quarter of the year almost once a week. We feel a strengthening of the opinions that particularly the developments and our policies on the Syria issue - a constant risk factor - alienate us from the international community. We have to change this perception. It could be a perception only or a consequence of our mistakes.

As for the developments in democracy, the picture shapes up as follows:

The polarizing rhetoric used during the elections and the heavy-handed attempts on media did not agree with rules of democracy. In addition, security forces' interventions proved to be very aggressive at times.

Lastly, the whole world viewed Turkey as a country banning access to Twitter and Youtube and even though it lasted for a very short time, it put us in a very undesired place. We are of the opinion that the government is in position to put in place legislation that will ensure taxation requirements are met and respect for individual rights without depriving citizens of a rich information and news source.

There is a lot to say on the rule of law. We witnessed serious allegations of corruption and consequent legal processes started a conflict, penetrating all the way into the state itself.

Fight against a graft state is inevitable. Any attempts of a state-within-a-state must be prevented. However, this fight should proceed on objective criteria without unruly interrupting the judicial processes. Within brackets, here, I'd like to state that the illegal wiretapping of the Ministry of Foreign Affairs was intelligence and security weakness, a momentary one. We agree that this is a matter of national security.

You have probably gone through the March report of European Parliament on Turkey. Among many other issues, the report also states "legal regulations limiting personal liberties move Turkey away from its path of fulfillment of the Copenhagen criteria". This is an extremely unfortunate perception and needs to change – On our part we feel that the Copenhagen criteria was already fulfilled almost 10-15 years ago.

In the meantime, positive developments have also taken place. We saw that the global community responded favorably to Constitutional Court's latest amendments to the legislations on Electronic Communication and the Supreme Board of Judges and Prosecutors. It goes true for reducing the detention period as well as abolishing the Specially Authorized Courts.

The economy closed 2013 with 4% growth. Exchange rate and interest rate balance determined by short-term decisions rather than market dynamics deteriorated significantly at the end of last year. The delayed rate hike by the Central Bank proved to have a slowdown effect for the overwhelming exchange rate momentum.

Rating agencies indicate they are "concerned but prudent". They continue monitoring us. International institutions expect that Turkey's growth rate will be capped at an approximate 2.5 % in 2014.

We keep an eye on the real economy. The locomotive sectors such as automotive and construction are going through a slump. Government announced that the growth targets will remain unchanged. We can possibly use this to find an answer to the question: Will the increase in exports be enough all by itself to boost growth? On the other hand: TL depreciated almost 20% although the exports increased around 5-6 %. We wonder whether this will happen with a phase difference, meaning, we haven't yet been able to calculate to what extent exports will compensate for the slowdown in domestic markets. Inflation increased to around 9-10 % due the exchange rates. In the second half of the year, although we expect inflation to go down, Central Bank stated that it will maintain a tight monetary policy. Our current account deficit is still at a level debilitating growth.

I'd like to draw your attention to a fact that will gain significance in middle to long term. Turkish Statistical Institute's educational statistics recently attracted my attention: Only 30 % of our population receives secondary school or higher level of education. 8% of the population receives

higher education and illiteracy among women is 20 %. I mention these figures as I believe such a performance in education will slow down the transition to high value-added production.

In the middle term, Turkey has to move itself out of this image, which portrays it as an under-educated, partially democratic country that is and trapped-in-middle-income. Above all, Turkey has to adopt a foreign policy that will not create question marks in the minds of the global community as to where and how it positions itself as a country. If we want Turkey to remain a part of the Western world, we have to do what it takes in terms of alliances and policies.

Distinguished Guests,

In recent years, global economy experienced increasingly steep fluctuations. Monetary policies of the central banks of developed countries will determine the pace of this exciting journey.

After the most recent meeting of the Federal Reserve, FED President stated, “nearly six months after the tapering, we can go for a rate hike.” The moment she said that, we saw the emergence of a perception that global interest rates might increase in March-April of 2015 and subsequently, fund outflow from high technology and biotechnology equities flushed back to the cheap emerging markets albeit the risk. Markets of the fragile five including Turkey went rather positive. We hope that the sentiment will be here to stay.

Overall, the US continues to experience a prudent growth.

In Europe, there are signs of a possible “light at the end of the tunnel”. However, IMF points out to risks of deflation and low inflation in Eurozone. President of the European Central Bank did not take action, yet indicates future data will determine whether they will go for quantitative easing at some point.

The above story is scattered with dark clouds coming from Ukraine. If the situation in Ukraine evolves into a serious conflict, we know it will significantly affect the markets in a negative way.

We have to keep up with the foreign economic developments by taking macroeconomic measures. But in the meantime, the free market mechanism and particularly the Central Bank and all autonomous institutions have to be carefully protected and free to function under the rule of law.

In fact, in the Uludağ Summit, Mr. Ali Babacan echoed the same and said, “A real rule of law is a prerequisite for Turkey to become a developed economy and a first class democracy.” He also underlined that Turkey needs to turn to the European Union for legal references.

I'd like to remind another point: TÜSİAD truly values the Kurdish resolution process and believes it is of critical importance. However, it is our wish that the steps taken are well planned and mature as

otherwise it will hamper the process itself if the parties involved relay messages that are not seasoned enough

Esteemed Guests,

We must re-establish the confidence in justice; rebuild the perception in the eyes of the public for independent and impartial judiciary; we must reinforce that the legislature and the executive are accountable to the judiciary. And thus we will pave the way for development both in economy and in democracy.

Mr. President, Esteemed Guests,

We actually talk about a process of reform and restoration that should start today. As TÜSİAD, we are ready to contribute to this process in any way we possibly can. Our sole expectation is to set the road map to reach our common goal. Through this, we can spare much more time and energy for our main mission and focus our efforts on investment, employment and growth.