



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

SPEECH DELIVERED BY
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Dear Guests, Dear Friends,

First of all, I would like to welcome you to this event at a very important time for Turkey and its integration process with the EU. I believe this platform will be a fruitful occasion with many mutually beneficial exchanges.

I wish to give you a brief review of Turkey's serious progress towards accession to the EU and TUSIAD's contributions to the progress made in this respect. But first of all, I would like to give you some information about TUSIAD.

TUSIAD is:

- The non-governmental representative organization of the Turkish private sector (industries and services) at the national level;
- A member of UNICE since 1988, BIAC (Business and Industry Advisory Council of the OECD), and UMCE (Union of Mediterranean Confederations of Enterprises)
- We have 540 members representing almost 2000 companies. We also belong to two platforms created by local business associations and the sector organizations.
- We are the main voluntary organization of the Turkish private sector with a representative base of 46% through its direct membership and more than 60% together with its local and sector platforms.
- We have representative offices in Brussels, Berlin, Paris and Washington DC. We present Turkish business views in these capitals.

As you know, relations between Turkey and the EU started with the Ankara Treaty between Turkey and the Community in 1963.

Two major steps followed this agreement: first, The Customs Union in 1995 and then, the Helsinki Summit in December 1999 where Turkey was finally declared as candidate to EU membership.

Following both steps, TUSIAD focused its efforts increasingly towards the fulfillment of the so-called "Copenhagen Criteria" for democratization and rule of law, set as a precondition for the beginning of membership negotiations.

In fact, since its establishment in 1971, TUSIAD played a leading role in Turkey towards the adoption of the principles of a free market economy. However, as of the mid 1990's, it became clear that political instability was a major obstacle to economic and social development. It was within this context that TUSIAD published its report "Perspectives on Democratization in Turkey" in 1997 containing proposals for legislative reforms. When Turkey was declared a candidate in the Helsinki summit, TUSIAD ultimately focused its efforts on democratization and the fulfillment of the Copenhagen Criteria. These indeed constituted the prerequisite for full membership. We continued to publish reports that brought

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our assessment to the attention of the public and private authorities both in Turkey and the EU.

TÜSİAD has also advocated the deepening and widening of the EC-Turkey Customs Union regarding it as an important step towards EU-Turkey integration process. The experience so far indicates that the Customs Union exposed Turkish industry to intense international competition and has launched a challenging process. Until now, we have risen to this challenge and managed it well.

We work closely with UNICE on different subjects. In this context, we have been following the EU's progress on the Lisbon Strategy. We seek to provide the Turkish business community and government with updated information. With this aim in mind, TÜSİAD participated in the UNICE project to present a national report for the spring summit in March 2003.

Nowadays one cannot keep up with the production of papers and analyses that look at Turkey and Turkey-EU relations. 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 2004 Regular Report on Turkey drafted by the European Commission is a historical and in our view irreversible step concerning the EU-Turkey relations. The report confirmed Turkey's concrete accomplishments since December 2002 Copenhagen Summit. This is a new stage in our relationships.

The Recommendation of the European Commission on Turkey's progress towards accession states 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." The point could not have been made any clearer.

Concerns have been justifiably raised in Turkey about the language used in the Report. 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 latter sentence defines the goal, then its real means is indeed full membership.

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

Dear Guests,

I now turn to a brief outlook of Turkey's radical economic transformation and the prospects of economic integration into the EU.

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The assessment of the European Commission stems from radical developments on the Turkish economic and political agenda of the past three years. These developments that changed the face of Turkey included: EU accession process, structural reforms, and of course the economic outlook of the country.

Turkey will likely 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%.

Additionally, Turkey's institutional and regulatory framework were brought to international standards, transparency and efficiency were improved in public procurements. 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.

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.

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 will be if the accession process goes apace and our political stability further consolidates. This 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 trading partners and investors in Turkey, Austrian companies should benefit from this opportunity.

Finally there is the thorny issue of demographics and the fear of mass migration to Europe from Turkey. If Turkey joins the Union this much feared influx will not take place. Turkey is certainly undergoing a demographic transformation. The share of the potential labor force within the overall population is increasing. But family size is getting smaller, patterns of a

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consumer society are already prevalent particularly in the Western parts of the country and spreading rapidly all over.

In the next decade Turkey needs to invest massively in its educational system and substantially improve the quality of its human capital. This should create more attractive business opportunities in Turkey that stands to be a manufacturing sector and commercial hub for the Middle East and Central Asia. Both foreigners and local business world are then likely to increase the rate of investment in Turkey. These will absorb the increasing supply of labor. Turkish laborers will not seek opportunities abroad because they will not need to do so.

Turkey will be an asset for the European Union. The country actually closed the books on the debate over the Copenhagen criteria. We won. Forces of darkness, exclusion and xenophobia lost. The EU should help us to make sure that this defeat cannot and will not be reversed.

Thank you again for giving us this valuable opportunity to share with you our aspirations and thoughts as well as the objective facts about where Turkey stands today.

I hope you will enjoy the discussion.

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