



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

**THE SPEECH DELIVERED BY
THE CHAIRMAN OF THE BOARD OF TÜSİAD
ÖMER SABANCI
AT BIAC GENERAL ASSEMBLY ROUNTABLE TITLED
“KEEPING THE GLOBAL ECONOMY GROWING”**

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Thank you Mr. Chairman

Mr. Minister, Mr. Secretary-General, Mr. Chairman, dear colleagues and distinguished guests;

As a co-host organization of BIAC General Assembly and this roundtable, we, as TÜSİAD, have the honour of welcoming our outstanding guests at this important event.

I want to share with you some remarks on how the business community foresees Turkey's growth prospects within the global economy.

Turkey, as a candidate for EU membership, now confronts one of the most challenging problems of economic literature; namely the catch-up issue.

Looking at the global economy, we observe that the golden age of growth that prevailed between the Second World War and the Oil Crises of 1970's is now over. Since then, growth has decelerated worldwide and what is more worrying for the larger part of the world is that, the convergence of living standards towards most developed countries is not an automatic process. The countries that have been exceptionally successful in generating high growth, offered little help to poor performers because of the difficulties of transposition of country-specific experiences. This point has special importance for Turkey as a country with an old and successful private sector tradition and market economy together with a young population and a country that is persistently improving its democratization process and harmonizing its legislation with the EU.

For the coming years, Turkey has to create enough job opportunities to its citizens, but at the same time, should continue with the acceleration in productivity in order to speed up the catch-up process. Of course these must take place in an institutional and policy framework that is configured by the EU.

Considering that, neither economic theory nor country evidences, offers a guaranteed recipe to narrow the income gap between Turkey and the EU, TUSIAD has felt the necessity of drawing a roadmap which may bring the living standards closer to the EU. TUSIAD, being deeply impressed by the outstanding products of OECD's long-term research project that landed at the center-stage of growth debate, has launched a project on the same lines to develop a framework for pro-growth policies in Turkey. The OECD project, providing constructive and functional policy directions for accelerating growth, may serve as a lighthouse on the road towards convergence.

We will disclose our first findings from our growth study, at an international conference tomorrow. Mr. Jean-Philippe Cotis will be our guest speaker and offer us a chance to learn from the OECD experience directly.

But let me thank to BIAC as well, for that, we had the opportunity at the BIAC committee meetings, to get access to different facets of the sophisticated research activities carried at the OECD, well in advance. Of course BIAC's importance for TUSIAD is not only confined to growth issues. BIAC committees, offer very important opportunities for international discussions and provide an influential platform on a large spectrum of issues on the OECD agenda.

Ladies and Gentlemen,

Now allow me to take a few minutes to share with you Turkey's recent economic performance.

The recent brilliant performance of the Turkish economy is one that fits so well into the OECD findings on growth. Having struggled with high and chronic inflation for nearly two and a half decade, Turkey managed to pull the inflation rate to single digit level. Furthermore, this success came along with a growth rate of around 8% in the consecutive three years, which is high by any international and historical standards. Historical break off in inflation rates has been supported with the improvement of public finances and structural reforms. The budget

deficit came down to around 7% from 17% and the net public debt to GNP ratio of around 63% lastly, came close to Maastricht criterion from its level of 91% in 2001. Having liberalized foreign trade and international capital flows during 1980s and the Customs Union with the EU in 1996, we consider that Turkey progressed well on the lessons that can be drawn from OECD experience concerning macroeconomic policies.

However, a key area is taxation policy. Turkey has to act immediately to rationalize its tax system to lower the tax burden and struggle with unregistered economy. I believe that, the distinguished speakers of the second session of this meeting will deepen our understanding for a better tax system.

We are also looking for the coming session to learn the prospects and challenges for the global economy. Global developments are very important for Turkey because, Turkey's progress towards sustainable stabilization is impressive but not enough for robustness to external shocks. Given Turkey's vulnerability to shifts in global investor risk appetite, the only way is to remain loyal to existing trajectory of structural reforms.

Of course, the EU is the ultimate anchor and catalyst for institutional evolution in Turkey. Indeed, the negotiation process will reshape the product, labour and capital markets and will provide an agenda for microeconomic reforms and structural transformation.

The forthcoming comprehensive agenda will necessitate a well-developed strategy. As TUSIAD, we will enlarge our current growth project to explore in greater detail the institutional aspects of growth. We know that OECD is an important resource for policy development. We had contacts with the OECD in the last months to develop a joint project concerning upgrading institutional quality and public policies.

As TUSIAD, we are happy to contribute to BIAC by suggesting lessons from Turkish experience. We also had benefited a great deal from BIAC and through BIAC from the crystallized international expertise at OECD. And we will continue to carry the policy recommendations originating from these sources to Turkish business community.

Thank you very much for your attention.