

**The speech delivered by the Chairman of the Board of TÜSİAD  
Mr. Tuncay Özilhan,**

**March 26, 2003**

*Distinguished guests, dear members of the press,*

Let me welcome you and extend my greetings on behalf of TUSIAD today; under the sheer burden of the unprecedented challenges and troublesome times since World War II.

We have convened here to deliberate on the findings of a report on Independent Regulatory Agencies, which have a profound role to play in the development of the judicial and institutional infrastructure of free market economies. The report is an examination of the functionality of regulatory authorities in Turkey and also delivers highlights on how independent regulatory authorities fare in Turkey in comparison to their peers elsewhere.

Independent regulatory agencies are undoubtedly of great essence in Turkey as elsewhere in fulfilling a profound role, they will enable states to perform effective regulations, enforcement and oversight of compliance to the legislation. The report will be presented by *Mr. Pekin Baran*, Board member at TUSIAD. Let me now, should you allow me, carry out an appraisal of some of the most significant national and international issues facing Turkey.

Developments that have taken place over the past four months herald a turning point; in the sense that should we not bring our act back together and act with prudence we might have to bid a bitter farewell to the dreams and aspirations that we have cherished to date, as we find ourselves traveling back and receding 50 years in time which ultimately means that, Turkey will have to start from scratch. That is why we attribute utmost importance to the need to express our thoughts and convictions in their entire candor.

To date we have advocated the fact that instability and oscillations in the political environment are the greatest barriers against economic growth and prosperity. Thus, albeit conflicts of opinion, we did not refrain from backing and promoting the current government in office, for the undeniably important need to restore and maintain stability. In subsidizing the government, we acknowledged narrowing alternatives both in politics and the economic domain. The government, which would enjoy overwhelming majority in legislative seats, with a bid to run the nation in the next five years could very well have had the will to underwrite reforms thus taking preventive measures against the resurgence of any form of economic or political unrest in the country. Such a government could have acted with perseverance and endurance in ridding the country from the causes of instability within one or two years.

We had anticipated a long awaited resolution to the stalemate vis a vis the EU and Cyprus, and diligent fulfillment of both structural and fiscal requirements mandated by the IMF assistance. We perceived these issues to be national and non-partisan and the

government had been expected to bear such a stance. To date, we have made our willingness and readiness to contribute clearly and have reserved our rightful claims to be critical.

The government commenced by building confidence and faith in their ability to comprehend the scale and severity of the issues, facing the country and provided reassurance for their steadfastness and willpower to resolve the causes of standoff.

Unfortunately, we were to find ourselves with an ill prepared government who chose to act unilaterally in a self contained manner, rather than acting on collective will backed by extensive cooperation, voicing controversial and conflicting statements on issues of national interest. With passing time, an increasing predisposition to succumb to the established *modus operandi*, forms of governance and policy making began to resonate. Ultimately Turkey found herself in a *cul de sac* in all areas of concern.

From now onwards, regardless of the form of collaboration Turkey enters into, regarding the Iraqi conflict, it is bound to take the country much longer to normalize its ties with the United States of America, presumably much longer than it had taken Turkey, to resume talks with the States following the Arms Embargo in 1974. One should not be taken by surprise with the prospects of looming challenges such as unfavorable lobbying activities before the Congress, the future of Baku Ceyhan pipeline and the impediments Turkish private businesses are bound to run into, in the US markets.

As for the European Union, despite the overarching presence of an issue as sensitive as Cyprus may be, the government has failed to concentrate on and has practically overlooked the aspects of the EU all together, since December of last year. Furthermore, the government has chosen to pursue and to aggravate the standstill in Cyprus, which has inevitably culminated in an impasse in Turkey's accession to the EU. It is a process that could eventually result in intrusions in Northern Cyprus. It is a path we have knowingly entered although it was clear from the start that such hard-line policies would signal not only distancing from the European Union but also ostracism worldwide.

Could we somehow maintain a robust economy while running into a global political alienation? Guess not.

The Prime Minister has expressed willful perseverance to comply with the IMF program. Financial markets have not quite responded to such uplifting rhetoric and have remained indifferent, simply because resoluteness must not remain in policy but be verified by execution in practice.

Until this very moment, it seems that the government has largely adjusted to policies of incessant feet dragging, absence of resoluteness and forever procrastination attributes commensurate, with the established political tenets prior to the national elections. Should reluctance to perform manifest itself in transgressions and oscillations, we could find ourselves in a void, unable to find our way amidst pending uncertainties in the world under the sheer burden of internal debt and external borrowings topping 90 and 80 billion

USD in volume respectively. Astounding resources could not suffice in bailing the country out.

Ladies and gentlemen,

No doubt, the primary political incumbents accountable for all these developments are those in government. However the government alone must not be held accountable.

Neither the United States nor the European Union have put substantial emphasis on the frailty and sensitivities felt in Turkey, due to geographical proximity to the war zone. Their attitude has largely been the cause of the standstill.

We must try to see our own reflection in the mirror. We believe that responsibility lies in the hands of all decision makers alongside the cabinet, including the opposition in the parliament and all other high-ranking entities who have a close bearing on the administration. No one could claim not to be accountable. It is a fact we ought to acknowledge and voice. Otherwise a resolution may not be designed.

The established norms of political governance in Turkey may be susceptible to be influenced from the political, economic and foreign policy tenets of in drawn and withdrawn nations. It is a modus operandi that is guided by statist principles inspired and replenished by reminiscences of the past century, rather than being driven by the need to define national interests based on the needs and requirements of the present times. Strong sentiments linked to national security, whose focal point has been internal threats, due to historical justifications and ramifications, clearly blinds and paves the way to inability to interpret and perceive crises of cross border scale. Being overly dedicated to maintaining equilibrium between intrinsic sources of power rather than bearing an international point of focus, culminates in a growing rift when it comes to devising realistic solutions in international affairs.

Authorities have cited the presence of control and oversight in the current state of affairs, indicating that the policies of the current government may in fact be, purposefully and consciously designed. Could it be that Turkey is being pulled and distanced away from the West deliberately, with a view towards justifying what some claim, as Turks will only be befriended by their own peoples? Perhaps there are designed and calculated efforts, to turn Turkey into a degraded and inward looking state, subject to manipulation and manoeuvre. Hardly as we may find these arguments to bear any credibility, we cannot quite wash them aside and avoid deliberation, following the current state of affairs.

Creating hardships in restoring ties with the US, Turkey's long time ally for the past half century, causing a standoff in Turkey's EU relations and opting for a stalemate and lack of reconciliation in Cyprus, would mean Turkey's ostracism from the rest of the world. The only other option we have, would be to turn into a Middle Eastern state inflicted by authoritarian rule and low-income levels.

Turkey set a vision for herself decades ago. This is a country that has long adopted commitment to development through democracy and integration with the west, for maintaining the liberties and welfare of a population nearing 70 million people today. To date, the country has seen major developments to this end. At such a point in time, no one could pay the hefty price of turning Turkey into an isolated country, cooped up in the Middle Eastern geography.

Democracy is a challenging regime to govern. Leadership is required for strengthening common denominators and collective aspirations despite the presence of a pluralistic environment, which means dissenting views. The leadership must have the competence to reconcile conflicting views and interests voiced by dispute-ridden segments of the society. For that, decision makers and governments must be equipped with individuals who have internalized the principles of modern governance and management.

Turkey's capacity to promote and position herself, among the developed nations largely depends on the willingness of decision makers in office to update and modernize their frames of references and ways of governance. It is about changing governance styles, which could propel Turkey to take the steps and actions that could dispel the dark clouds looming ahead.

These are not sublime or irrevocable matters of the state. In essence what we are mentioning is economy.

All segments of this society including peasants in the rural outback, entrepreneurial businessmen, trade merchants, civil workers, teachers at schools, security guards before the gates of businesses, pensioners, teens, labourers and the jobless alike, have one thing in their minds and that is how to save the day, or indeed how to find ways of surviving the next day.

At unprecedented levels since World War II, the country yearns to discover the options ahead and clear stratagems into the future. This is a historic mission to be fulfilled by all the high-ranking decision makers in this country, i.e. the President, the government in office, the Grand National Assembly, armed forces and the members of the bureaucracy.

We as TUSIAD believe and share in this responsibility. No matter how bleak and cumbersome the picture may seem, we have unwavering conviction in the dynamism to be found in this nation, with business circles in particular.

Esteemed guests,

To find a way out of this cul de sac, there are two areas we must concentrate upon: foreign policy and the economy.

Turkey's primary national interest is vested in continuity as a democratic, modern and western state and to provide for the peace and welfare of its 70 million people. It is an overarching vision, which could easily nullify all the suspense, regarding Turkey's

distancing herself from the EU and the US. But having a vision is hardly enough. Ties with both parties have been severely damaged and no doubt they must be repaired with great effort and attention. In terms of foreign policy, the country is in an urgent need for drastic measures that will render creativity and flexibility in policy making.

- 1) Declarations must be made affirming Turkey's consent to the foundation laid out by the Annan plan in the resolution of the stalemate in Cyprus. Despite the presence of some rightful claims and concerns, the Annan Plan offers a consensus and therefore is highly unlikely that it could fulfill all the demands in question. It is a resolution that offers highly affirmative and effective answers to Turkey's assumptions. We could find ourselves in a situation where we may be longing for this plan somewhere in the future, if we refuse it today.
- 2) Talks must be resumed with Greece, to reach a consensus on the need for a referendum in both communities. Both Athens and Ankara must reach an accord, on issues pertaining to both of the guarantor states, while parallel talks are effectively conducted with the UK.
- 3) Proactive initiatives by Greece, currently in presidential post could enable the EU to provide back up for the Annan Plan, while Turkey toils to incorporate the Annan Plan in the association agreements, of the newly acceding 10 countries to be signed in Athens on April 13<sup>th</sup>. Before the date of accession, which is May 2004, Cyprus must be resolved in the light of the Annan plan, which would enable a united island to join the Union.
- 4) The year 2003 Progress Report must provide a backdrop for relations with the European Union and Copenhagen criteria must be met in full. Both parties must declare before their own public that Turkey's prospective accession is irrevocable and that it is only a matter of meeting technical criteria for full membership to take place. Should the progress report be positive in its observations, parties must extend the message that, Turkey's prospective accession is irrefutable and unquestionable.
- 5) Constructive dialogue must be entered into with the European Council, the Commission and the European Parliament before December 2004. Following the military intervention in Iraq and bearing in mind the fact that the EU is primarily an economic and a monetary union, without putting too much emphasis on security and common foreign policy matters, rather areas of focus should be the increased emphasis on bilateral ties with EU member states and decisive steps towards the initiation of negotiations.
- 6) As far as the USA is concerned, utmost attention must be paid so as to prevent any worsening in ties. Turkey's approach in Northern Iraq will not only have serious implications on US relations but will have deep repercussions for Turkey's EU talks.
- 7) Turkey must effectively communicate issues that pave the way to consternations regarding Northern Iraq. To date, the country has by and large failed to express concerns regarding Northern Iraq effectively. Turkey must communicate elements such as arms and humans trafficking and terrorism prevalent in the region, drawing upon the drastic economic and social implications, the previous war in Iraq had had for border towns in Turkey. Military conflict across the border from Turkey, has had severe economic influences and results in a young generation, whose only means of economic survival is terror, hence rise in terrorism. Turkey must conduct an effective

communications campaign, expressing the fact that, present views regarding Northern Iraq are caused by humanitarian assistance and border security thus helping to remove some of the speculations in international press and media.

- 8) The confidence rift that has caused a tension between the US and Turkey can be bridged following the war in Iraq, by a comprehensive communications and PR campaign targeting civil movements and NGO's. NGO's in Turkey must extensively communicate with their peers in the States to build confidence, as had been the case to raise awareness, for Turkey's EU accession.

Dear Guests,

TUSIAD will provide utmost support to all the government initiatives before the US and the EU. We are going to get together with the Austrian Prime Minister Schussel next week and deliver the thoughts and opinions of the business community. A leading delegation from TUSIAD plans to hold talks with the US administration and the Congress in May this year.

As for the economy, the government must immediately relinquish its current mood and discontinue to sacrifice Turkey's future, for the local elections in April 2004. The performance of the government in the next four and a half years will depend on the extent to which, they will remain aloof to populist policymaking and their capacity to restore confidence. The government must demonstrate decisiveness, commitment, consistency and pursuit of excellence in policy making and execution. They must be receptive to cooperation and consultations and trust in their technocrats. The following are the economic initiatives that must be planned by the government;

- 1) The 4<sup>th</sup> stand by with the IMF, must be completed in the nearest course of time. The government must avoid any hindrances and stifling effects that could challenge compliance. Although the government has expressed their will for compliance, the letter of intent has not quite gained shape. Financial markets in Turkey are on the watch out for the letter of intent. At a time when war damages might be unilaterally recovered by Turkey, the business community and financial markets are anxiously awaiting the measures to be taken by the government, in maintaining economic activity.
- 2) The government foresees a five percent rise in GDP and targets 16 to 20 percent in the inflation rate. These figures must be revised by the government. It would be overly optimistic to presume recovery in economic activities and an overall increase in growth rates as early as the second half of 2003. We must anticipate adverse effects to be caused by the vicinity in the region.
- 3) The government must extend the IMF backed macro economic compliance program to cover 2004 to 2006. The extended program should be designed with due respect to the economic damages caused by the war and the post conflict scenery in the region. The program should not only maintain fiscal discipline, but must also aim to generate sustainable growth and productivity. Turkey's credibility to access funds in money markets, maintenance of stability in financial markets and sustained control on the

inflation and interest rates requires stability, willfulness and commitment in the government.

- 4) Encouraging growing levels of private investment, is the only way to curb mounting unemployment in the country. The coordination committee, which is responsible for delivering, improved conditions for local and international investors, must swiftly introduce measures to incentivise investments in Turkey.
- 5) Despite bearish trends in world financial markets and securities, privatization must be underscored without discriminating between local and international investors.
- 6) Turkey has highly competent technocrats across ranks of bureaucracy. They must be appointed based on merit rather than political patronage. Removal of technocrats from office due to conflicting political tenets, should not be tolerated.

Ousting and isolating Turkey in terms of political policy making and economic affairs will not only entail cataclysmic outcomes in the economy and society wide but will also result in political dissolution. Becoming a democratic welfare society means maintaining personal, cultural and economic liberties in a free market liberal economy, but is also about reconstituting the right governance models. Policy making in foreign affairs must be based on the thorough understanding of the requirements, of international trade and investments.

There are two options for Turkey. Either we evolve into an inner drawn Middle Eastern country or integrate with the West. We believe that an enlightened future for Turkey lies in turning into a developed western nation. To this day, we have invested in making a western and developed society out of Turkey. Regardless of the severity of the challenges that might lie ahead, we are not going to relinquish from our aspirations. It has always been our mission, to fight against those, who have recklessly attempted to make a retrograde society out of Turkey. Should they persevere, we will continue to fight against them.

It is not the time to look back but rather thrive in collective effort and will, in undertaking major initiatives into the future. It is the right time for mobilizing our resources, to the benefit of this nation.

For us unison and unity refer to striving for common social aspirations though we may rightly reserve freedom, to disagree in a democratic environment. We believe that everyone is entitled to have dissenting views. We will be ready and willing to resume duty, for the enforcement of strategies that help to meet our social aspirations. What is more, let us reinstate once again our enthusiasm and dedication to bolstering steps taken in the right direction.

Thank you.