



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

SPEECH DELIVERED BY
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THE VICE-PRESIDENT OF TÜSİAD
AT THE JOINT MEETING OF
TÜSİAD AND DI

April 22, 2004
Conrad Hotel

MEMBER OF THE UNION OF INDUSTRIAL AND EMPLOYERS CONFEDERATIONS OF EUROPE (UNICE)

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Your Royal Highness, Excellencies, Ladies and Gentlemen,

It's a great pleasure for me to welcome you on behalf of the Turkish Industrialists' and Businessmen's Association to this meeting, which, we believe, bears special importance for Turkey.

We consider this gathering not only an important occasion for furthering the traditional friendship and business cooperation between Turkey and Denmark but also a good opportunity to share with you an up-to-date picture of the current stage of Turkey-EU relations.

But before doing so I would like to give a brief account of the **activities of TUSIAD**.

TUSIAD is; a non-governmental representative organization of the Turkish private sector business.

We have around 500 members representing almost 2000 companies, which contribute roughly to 40% of total Turkish industrial and business output.

We are also active in two private sector platforms created by nationwide local business associations and sectoral organizations, enabling us to reach thus about 60% representation of the Turkish private sector business interest.

TUSIAD is a member of the UNICE, of BIAC (Business and Industry Advisory Council of the OECD), and UMCE (the Union of Mediterranean Confederations of Enterprises).

We have representative offices in Ankara, in Brussels, Berlin, Paris and Washington DC.

With this network, we are committed to monitoring and promoting Turkey's political, economic and institutional reforms within the framework of the EU membership process.

Distinguished guests,

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 from the 1980's, it became clear that political instability was a major obstacle for economic and social development.

We saw that the viability of a free market economy depended on the presence of a pluralistic political structure with the largest possible participation and dialogue within the various segments of a society. This led TUSIAD to concentrate on factors slowing down Turkey's pace in her progress towards economic and political democracy.

In 2002 and 2003, the Turkish governments introduced **7 reform packages** of harmonization in order to amend the current legislation as required by the European Commission progress reports. Major legal changes were achieved. (A list of which is given in Annex).

We believe, however, that what is now crucial is the effective implementation of these legislative amendments.

We welcomed, in this regard, the government's initiative to create a Reform Monitoring Group in September 2003, with the participation of representatives from Foreign Affairs, Interior and Justice Ministries including the Ministers themselves.

We are aware, on the other hand, that the progress made in this respect is very much to the credit of the present **one party majority** in the Parliament and to the political will and support given to the reforms by the government.

We do also very much hope for a peaceful resolution of the long standing **Cyprus** issue on basis of the Annan Plan and wish to see a positive outcome from the referenda which will take place in both parts of the island at the end of this week

Distinguished guests,

I would like to say also a few words on the current economic agenda, especially with regard to the macroeconomic stability and structural reforms initiated by the current IMF Stand by Agreement.

Regarding **macroeconomic stability**, the program already yields very positive results in bringing down high inflation and high interest rates, whilst sustaining remarkable economic growth.

Inflation is now reduced to 9% and the growth rate for 2003 is nearly 6% .

As a result of tight monetary and fiscal policies, the budget deficit is now reduced to below 10% and the current deficit to below 3%, both being very sustainable levels.

The **structural reforms** are under way since 1999. They include important measures such as; a comprehensive privatization schemes, the adoption of new public procurement and financial management laws, the reform of the tax system, the setting up of independent regularity bodies in areas such as banking, energy, telecommunication, and the de-regulation of the agricultural and energy markets.

Concerning the **investment environment**, a recently introduced new legislation intends to encourage FDI inflows, apart from a very important tax measure taken to adopt inflation accounting.

Cumbersome company establishment procedures are notably simplified. The new law decreases the number of steps for establishing a company from 19 to 3.

We believe, on the other hand, that the successful implementation of the **Custom Union** with the EU since 1995 constitutes relevant proof of Turkey's competitiveness. Turkey had to adopt the common tariff of the EU vis-à-vis third countries and faced same global competitive pressures as other EU countries.

Nevertheless, exports reached a record level of 50 billion, in spite of a considerable appreciation of the Turkish Lira against the dollar. In the meantime, Turkish companies are increasingly establishing their presence outside Turkey through direct investment and trade, especially in Central Asia, Russia, the Balkans and the Middle East.

Customs union has, also, proved to be a unique tool for harmonization with the EU economic legislation and helped Turkey to cover an important proportion of its alignment with the EU acquis.

EU and Turkey are major trade partners. Turkey stands consistently as the 7th or 8th biggest export market of the EU in the world, whilst its share in Turkey's export is 52% and its contribution to Turkey's total foreign investment is nearly 70%.

Regarding **growth prospect** for the Turkish economy; we predict an average growth rate of 5% in the coming years, provided that the macro-economic stability programme together with structural reforms, continue unabated. It will then be quite possible for the inflation rate to take single digit form as from 2005 onwards and real income per head in USD can rise rapidly.

However, we do believe that further progress in Turkey's economic development will certainly be accentuated by a favorable outcome regarding the **decision to start** the EU membership **negotiations** in 2004.

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I hope that such decision will also be a **stimulus for** the future of **Turkish-Danish** bilateral trade and investment relations.

Although there are encouraging recent growth trends in our bilateral trade figures, there is certainly much room for improvement as our overall trade stands only at \$800 million for 2003.

We certainly welcome this initiative taken in this regard by the Danish – Turkish Business Forum and we are very privileged by this visit of the Danish Business Delegation headed by his Royal Highness Prince Joachim of Denmark.

I hope that this visit and the exchange of views that it will generate during the forum will contribute substantially to enhance the relations between our two countries.

Your Royal Highness, Excellencies, Ladies and Gentlemen, I thank you for your kind attention.