



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

SPEECH DELIVERED BY
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“THE WORLD BANK GROUP IN TURKEY:
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Dear Director, Distinguished Guests,

First of all I would like to thank the World Bank Group for their contribution to our program today.

Today, we will hear a different aspect of the World Bank Group, a feature that is not very well known especially in Turkey. Since years, we have been used to identify the World Bank more with our problems emanating from economic crisis. But this morning, we will have an overview on the role and services of the World Bank Group in Turkey for private sector, and an in-depth view in the afternoon concerning procurement of the World Bank financed projects and IFC opportunities for Turkish investors especially in the emerging markets.

On this occasion, I would like to give you brief information on an agreement between the World Bank Group and TUSIAD signed last year in September. The agreement foresees to deepen collaboration in order to promote trade and investment in the developing countries member to the Group. To this end, according to the agreement, we appointed a Private Sector Liaison Officer within TUSIAD Mrs. Hale Hatipoğlu, Deputy Secretary General for External Relations who will coordinate necessary activities in Turkey within the private sector and between Turkey and World Bank Group.

The main objective here is to facilitate Turkish companies' access to World Bank Group business opportunities, services and knowledge and advise the World Bank Group on how to better engage companies on development issues. We believe that this new task will create a synergy with the activities of TUSIAD International unit, which was established 3 years ago to work in the field of strategic business development for increasing Turkey's bilateral trade and investment relations with foreign countries. In this context, Mrs. Hatipoğlu and TUSIAD with its International unit, are at the disposal of our members and companies in their access to the World Bank Group services and products.

Ladies and Gentlemen,

Today, as our partner is the World Bank, there arises the need to touch upon on recent economic developments, which has an important effect on business environment. Therefore, I would like to deal briefly on this issue.

Within the last three years Turkey has made remarkable achievements in terms of both political and economic stability; the two basic determinants of business environment.

Besides the progress on the lines of meeting Copenhagen political criteria for democratization and rule of law, a precondition for the beginning of membership negotiations, the economic fundamentals exhibits an outspoken improvement. The battle against inflation is progressing very well: the yearly inflation is expected to fall behind the government target of 8%. Turkish GNP reached to 300 billion dollars in 2004, which is 2 times of its level in 2001. The exchange rate is being determined totally by market forces under a free float system. The budget deficit came down to around 7% from 17% and the net public debt to GNP ratio of around 65% lastly, came close to Maastricht criterion from its level of 91% in 2001. The foreign deficit can be singled out as the only area of deterioration. The strong growth process has fueled imports, which led to a widening in current account deficit to 15.5 billion dollars in 2004. Nevertheless, the deficit was financed by international capital inflows thanks to increased credibility of the Turkish corporate and banking sector.

Certainly, this positive portrait does not mean that the job is accomplished. Despite the marked improvements in economic indicators, attaining higher growth-lower inflation in 2005 will necessitate a better calibration in implementation. Renewed agreement with the IMF will be one of the uppermost conditions to maintain the confidence atmosphere. We also appreciate the new three-year economic program, which is currently undertaken by the government. Preserving the fiscal discipline and proceeding structural reforms with determination will also contribute to the sustainability of positive expectations. Thus, there is certainly a need for going further with structural reforms for sustained macroeconomic stability. And, a renewed IMF agreement and EU harmonization process will provide a proper framework.

Of course, the EU accession process is an important part of Turkey's journey. The EU is the ultimate anchor and catalyst for institutional evolution. The EU convergence will serve as a lighthouse for sustainable economic and institutional development. In our view, although the IMF program has had an important chapter in terms of short-term structural reform context, EU candidacy and membership would be even a better anchor in the long term for structural transformation and welfare creation.

Ladies and Gentlemen:

Further to a proper macroeconomic framework, what matters most for an entrepreneur is the business environment.

I now want to draw your attention to the improvements concerning legal and regulatory framework of the investment environment. A Reform Program was launched at the end of 2001 for the Improvement of the Investment Climate in Turkey, which already produced improvements that have a direct, significant and immediate impact.

However, the competition between countries to have a larger share from international foreign direct investment flows, is getting more and more tough, as the global funds are on a decreasing trend. This necessitates that Turkey should fortify its efforts towards a continuous improvement of the business and investment environment.

Concentrating much more on microeconomic reforms, Turkey will be in a position to take advantage of its competencies.

We believe that converging toward Europe will act as a magnet for foreign direct investment. Turkey should soon attract a class of investors that would have never participated in Turkish industrial and financial markets.

A huge and unsaturated domestic market that resolved its structural issues and an increased level of purchasing power that has strong economic relations with its neighbors will certainly be attractive for new investment opportunities.

I would like to end up by underlying that as the business world, TÜSİAD will always work on recommendations that escalate Turkey to top performers. The Turkish business community has faith in the future of our country. We believe that now is the time to include Turkey in the short list of destinations for investment. We know that the World Bank has and will have an important role in this process.

Thank you for your attention.