



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

SPEECH DELIVERED BY
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Dear Ms. Krueger, Ladies and Gentlemen,

On behalf of TUSIAD, I would like to welcome you to this meeting. It is my distinct pleasure to welcome you again in Istanbul.

I want to share with you very briefly some economic developments in Turkey. I will keep my comments very short in order to spare more time to our distinguished guest who is one of the leading experts on Turkey's economy.

The outspoken performance of the Turkish economy is one that we have not witnessed in our near history. 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 which is high by international and historical standards. Besides the improvements in macroeconomic framework, Turkey also progressed on the lines of meeting Copenhagen political criteria for democratization and rule of law, a precondition for the beginning of membership negotiations with the EU.

Certainly, the positive portrait does not mean that the job is accomplished. Despite the marked improvements in economic indicators, attaining lower inflation under a robust growth in 2005 will necessitate a better calibration in implementation. Developments in the global economy in 2005, may not be favorable as it was in the past. We are aware of the fact that Turkey still is in need of sustained credibility. Renewed agreement with the IMF will be one of the uppermost conditions to maintain the confidence atmosphere.

Ladies and Gentlemen:

We believe that Turkey is currently on a new growth path. The past three year's experience of stability and growth can be sustained in the years to come. We think that the private sector investments have shifted upwards the potential output level of the country. However, in order for investments and productivity to continue to increase, now Turkey faces another challenge. This is the microeconomic reform program. By microeconomic reform program, I mean the work to be undertaken in order to remove the barriers of investment environment, especially to attract more foreign direct investment.

The academic research on growth, provides mounting evidence on the importance of microeconomic foundations, especially regulations concerning economic life. On these grounds, we strongly believe that, Turkey should closely follow such research activities and learn from the experience of how different countries tackle the issue of improving their investment environment. Today, we have a great opportunity, thanks to our eminent speaker, to dig out the lessons on economic reforms around the globe.

Of course, the EU accession process is an integral part of this 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 and will have an important structural reform context, EU membership will be a lasting anchor for structural transformation and welfare creation in the long run.

Thank you for your attention.

And now the word is yours, Ms. Krueger.