



**TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION**

**SPEECH DELIVERED BY**  
**ÖMER SABANCI**  
**CHAIRMAN OF THE BOARD OF TÜSİAD**  
**AT THE CONFERENCE TITLED**  
**THE WORLD ECONOMY: CONTINUED RECOVERY**  
**OR ONSET OF A DOWN SWING**

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Dear Mr. Walter, Dear TÜSIAD Members, Dear Members of the Press,

On behalf of TUSIAD, I would like to welcome you to this meeting. It is my distinct pleasure to introduce you Prof. Walter, the chief economist of the Deutsche Bank.

I was among those few privileged addressees at a meeting on 8 October. At that meeting Prof. Walter delivered a brilliant speech which took us to a virtual journey in time and between continents. Consequently, we have requested him, to also address to our members. Thus, today I refrain to talk long in order to spare more time to our distinguished guest.

Before giving to floor to Mr. Walter, I want to share with you very briefly some remarks on economic developments in Turkey.

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.

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.

Ladies and Gentlemen:

The need for continued reform is an issue irrespective of the success Turkey has attained. The day before, Ms. Krueger was our guest speaker at another conference. Among other important points that she raised, I want to pick up the issue of continuity of the reform process. The countries do not have anymore the luxury to rest on the reforms that they achieved. And certainly, there is still a lot that Turkey should accomplish on the structural reform front. 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. Renewed agreement with the IMF will be an important tool for Turkey to keep its macroeconomic conditions in shape in a period when uncertainties in the global economy are rising. Thus, today, we have a great opportunity to increase our understanding of the international economic developments and how these may affect Turkish economy.

Thank you for your attention.

And now the word is yours, Prof. Walter.