



**OPENING ADDRESS OF
MR. ERKUT YÜCAOĞLU,
PRESIDENT OF THE
TÜSİAD HIGH ADVISORY COUNCIL
AT THE MEETING OF THE
HIGH ADVISORY COUNCIL**

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TÜSİAD AVRUPA İŞ DÜNYASI KONFEDERASYONU (BUSINESSEUROPE) ÜYESİDİR

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Honorable Speaker of the Grand National Assembly of Turkey, Esteemed TÜSİAD members, and Distinguished Members of the Media,

On behalf of the Presidential Board of the High Advisory Council, I salute you all with my sincere regards. Particularly I want to thank Mr. Cemil Çiçek, the Speaker of the Grand National Assembly of Turkey, for honoring our meeting. We praise his efforts to prepare the new civil constitution and to develop a culture of compromise in the political arena.

As we leave the summer days behind, Turkey finds itself in the midst of a burning agenda. You all know that the most disturbing public issue is the increase in violence and terror activities. During the recent months tens of security personnel and civilian lost their lives. We extend our condolence to the families and friends of the ones who lost their lives; we share their grief. Of course our sincere wish is the ending of these sorrows and the establishment of the social peace by means of sound measures while efficient struggle against terrorism is maintained.

The instability across the border in the Southern and Southeastern regions, the provocations, violence and conflicts, and reflections of this state of affair to our side of the borders negatively affect the internal dynamics of the Kurdish problem, making the difficult solution even harder. As a result of the regional conditions and political circumstances Turkish foreign policy is now in a close interaction with this problem.

TÜSİAD is still insisting that the solution will be along the line of democratization. We believe that the new constitution should include concrete measures to solve this problem. To secure constitutionally the basic human rights and the cultural rights up to the standards of the EU and to provide widest freedom of expression for discussing further political demands legitimately in the political arena, according to the rules of political fair play, will form the necessary minimum ground on which this decades old problem can be solved.

We wish that our country becomes a democratic state of law, based on the universal human rights and takes its well deserved place among the developed countries of the world. We voice this longing at every meeting we hold. Democracy standards of the EU remain to be a reference for our constitution. We require a constitution which establishes the legislature, executive, and judiciary bodies according to a clear separation of powers, and a series of laws ensuring a transparent democracy to allow every person to live in freedom. This transformation will also provide a satisfactory framework for the discussion and solution of the Kurdish problem. In an environment where crime of thought does not exist, where the struggle against terrorism benefit from the fact that terrorist actions can be easily and clearly identified as such, this struggle against terrorism will be even more efficient. We believe that this will also expose foreign supporters of terrorism and their support for the crimes abusing human rights to the world public opinion.

Honorable Speaker of the National Assembly

So is the constitution project we are sincerely supporting. With its institutional identity which created positive expectation during its 40 year history, with its accumulated experience, TÜSİAD will be beside you and the Grand National Assembly of Turkey in the process of the preparation of such a constitution.

Esteemed TÜİAD members,

I would like to touch upon our foreign policy before dealing with the economy. Considering the unfolding events in the Middle East, we have been talking about the rising risks, for more than a year. Now the risky climate developed, took the form of a serious trouble centered in Syria and occupied our agenda. The reactions to the violence and massacres in Syria, rising tensions now and then with the governments of Iraq and of Iran has attained such dimensions to disturb our foreign policy discourse. Israel's policies about Iran further contribute to the tension.

We believe that in this situation, the smartest, the wisest foreign policy attitude for Turkey is to stay out of the intensifying civil war in Syria and probable regional sectarian conflicts.

The UN, the US and the EU left Turkey alone in its active policies about Syria. Russia and China oppose any intervention of UN, even to the commercial and financial sanctions. US does not show any sign of putting the Syrian on its agenda before its presidential elections. In EU, Excepting France, no country wants to talk about this subject. Most disconcertingly, nobody in the international community, not even UN extend a helping hand to the more than 90,000 Syrian citizens who took refuge in Turkey and who live in the refugee camps in very difficult conditions. It is our impression that Turkey will remain alone about Syria for a long time.

Esteemed TÜSİAD members,

It is true that from time to time Turkey have incurred economic losses as a result of its foreign policy measures and its efforts of becoming a regional power. This is the reality we are facing at, in our southeastern region now. The economic life of the region is badly disturbed to a great extent. However it is also true that humanitarian assistance of Turkey will continue. Turkey can never decline helping the region. Furthermore turkey is preparing to deal with the extremely delicate issues of border security and increasing terrorist activities. Add to that the facts that the internal conflicts of Syria is likely to intensify and no positive development is expected in our neighbors, it wouldn't be erroneous to say that the economic life of the region will be even more trouble-ridden in the coming days.

Esteemed TÜSİAD members,

There is no doubt that when we talk about the future of our economy, we have to take into account the global economic developments and keep a close watch on them. As you know, following a relatively relaxed summer, international markets are making headlines once again in September. In the past few days, the declarations of the central banks of the USA and the EU restored calmed down markets. European Central Bank announced that in the countries under a heavy debt burden, it could buy bonds of with maturities of up to about three years, if they comply with the envisaged stability program.

This measure in line with the pledge of the ECB President "to do whatever it takes to save the Euro", indeed resulted in an appreciation of the Euro, a rise in the stock markets and a rapid decrease of the interest rates. However I want to remind you that this measure is not a final solution to the economic problems of the euro area. It may well provide some extra time and deal with the liquidity problems, but the fundamental problem is still there. Even if the euro is saved for the time being, the level of the debt stock accumulated in the private and public sectors of EU will hamper the growth of EU for a long time.

On the other hand, the expected economic growth of the USA has not been achieved. Yesterday the USA Central Bank stated that it will carry out monetary easing policies. It declared its plan to purchase US\$40 billion of government bond and mortgage-backed securities (MBS) per

month. Famous Keynesian economist, Nobel prizid Paul Krugman says that US economy cannot be put on the right track without a substantial increase in the government spending. He means that policies aiming at increasing employment and boosting demand must be adopted. He even claims that US came out of the 1929 crisis with the high levels of government spending for the war preparation expenditures just before the World War II.

In short, the Western world cannot overcome the crisis and achieve a significant growth performance, at least for 2-3 years. I should even underline that the performance of 2013 is weaker than 2012. The reason is the poor performance of the developing countries. The growth rates of the growth champions of the world, of China, India and Brazil are rapidly falling.

Speaking of Turkey, the developments of the last nine months were as expected and soft landing is already happened. The recent growth figures express exactly that. In contrast with the growth rate of %11 of the first six months of 2011 Turkey has grown by 3.1% during the first six months of 2012. A closer inspection into the figures reveals the following: Domestic consumption and private sector investment are decreasing. The source of the growth is the increase in the foreign demand, or in other words, the export. This is certainly pleasing. It means that the competitive power of Turkey growing. However there is also a downward trend in this domain. If the economic growth of the world will remain weak for a long time, we will have difficulties to achieve a satisfactory rate of growth based on only the foreign demand.

Indeed, the Deputy Prime Minister has already warned that we may fall behind the estimated yearly growth rate of 4%. You know that until now, the unemployment rate was reducing, the current account deficit was closing and the budget deficit was decreasing. We have to wait a certain amount of time for further good news about these issues. As a matter of fact

- the Minister of Economy has stated that even if our total exports had increased, the export to the EU has declined;
- the Minister of Finance has announced that budgetary balances are moving in the wrong direction and new price increases are required;
- Central Bank has pronounced that internal demand, imports and current deficit has been decreasing;
- The chairman of Istanbul Chamber of Industry has said that value added created in the industrial sectors has been dwindling.

A decline in the tourism revenues is also anticipated for this year. Furthermore, the foreign policy situation as I described a moment ago, harmed our regional export potential. Most of the economic issues I mentioned are related to the unfavorable world economic outlook. Turkish industrialists keep working hard to multiply export efforts in new markets. You, the entrepreneurs have extremely important function in this pursuit. According to this year's Global Competitiveness Report of the World Economic Forum Turkey has climbed 16 steps to rank 43rd in among the countries of the world. It is second best improving country among 144 countries. This is most welcome.

However when you inspect details, you can locate problems: Among the components of the competitiveness measures, the area we are performing the worst is the education. In other words, our problem is the deficiency of skilled labor. We have to improve our education level starting from the primary education and including higher education and vocational education. We have to increase the quality of our labor force.

Undoubtedly we have also care for the macroeconomic stability. As the public revenues will decrease with the decreasing growth rate, we have to keep an eye on the public expenditures and we must continue with the structural measures to reduce the current account deficit permanently. I am speaking as “we” because we also have a responsibilities and a mission about this.

Esteemed TÜSIAD members,

You are the embodiment of the private sector, the driving force of the development of our country. Regarding the burning hot domestic and foreign political situation, I have to advise you to protect your growth oriented impulse but to prepare for 2013 with due caution.

Ladies and gentlemen, I thank you for your kind attention.