



OPENING ADDRESS OF
MS. ÜMİT BOYNER,
PRESIDENT OF THE TUSIAD
BOARD OF DIRECTORS
AT THE MEETING
“TURKISH INDUSTRY AND SECTORAL APPROACHES:
STRATEGY FOR THE CHEMICAL INDUSTRY”

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Hilton Oteli, İzmir

TUSIAD AVRUPA İŞ DÜNYASI KONFEDERASYONU (BUSINESSEUROPE) ÜYESİDİR

İstanbul: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul -Türkiye
Ankara: İnan Cad. No:39/4 Gaziosmanpaşa 06700 Ankara -Türkiye
Brüksel: 13. Avenue des Gaulois, 1040 Brussels-Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C.20037-USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris France

Tel: +90 (212) 249 19 29
Tel: +90 (312) 468 10 11
Tel: +32 (2) 736 40 47
Tel: +1 (202) 776 77 70
Tel: +49 (30) 288 786 300
Tel: +33 (1) 44 43 55 35

Faks: +90 212 249 13 50
Faks: +90 (312) 428 86 76
Faks: +32 (2) 736 3993
Faks: +1 (202) 776 77 71
Faks: +49(30) 288 786 399
Faks: +33 (1) 44 43 55 46

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org

www.tusiad.org

Esteemed Minister, Distinguished Press Members and Participants

On behalf of the TÜSİAD Board of Directors I greet you with my best regards. Welcome to our seminar titled “Turkish Industry and Sectoral Approaches: Chemical Industry Strategy”

The development of an industrial policy generating sustainable growth and enhancing our country’s productivity in the international arena is among the main fields of activities of TÜSİAD. As the President of our Sectoral Policies Committee Mr. Nezhil Barut has stated, we assign particular importance to the chemical industry, which supplies input to several different industries. This is why we established our first sectoral task force in this industry, aiming to contribute to the short, medium, and long term strategies and policies for the competitive development of the sector, in accordance with sustainability norms.

Turkey’s chemical industry supplies final goods to several sectors from medicine to dye, while providing raw materials and intermediate goods to approximately 30 different industries. This demonstrates that the chemical industry plays a crucial role for the competitiveness of Turkey’s manufacturing sector. According to the production of value added figures, the chemical industry comprises 6% of Turkey’s manufacturing industry. Among the value added products chemical substances and products are ranked in 4th while plastics and rubbers are ranked in 9th place.

While export figures for the chemical industry stood at 2.2 billion dollars in 2000, it managed to surpass the automotive industry in 2011 and lead Turkey’s exports with the chemical industry’s value of exports reaching 13 billion dollars. However, despite these high export figures the sector currently runs a current account deficit around 25 billion dollars, largely due to the fact that the industry imports around %70 of the required raw materials. . Hence, the chemical industry produces %23 of our overall current account deficit, which sits at 106 billion dollars.

Representatives of the private sector have been working together with the Ministry of Science, Industry and Technology and the Ministry of Economy for introducing a healthier and more efficient structure for the chemical industry, which currently generates a major portion of Turkey’s current account deficit, energy excluded. Therefore, we assign tremendous value to the “Chemical Industry Strategy Document” and subsequent action plans, which will be unveiled here today by Mr. Nihat Ergün, our Minister of Science, Industry and Technology.

Esteemed participants,

The current account balance essentially serves as a yardstick for the economy. Many factors can come together to generate a current account deficit, which suggests there is no single overarching policy able to remove it altogether. Put in another way, current account balance is influenced by all areas of macro and micro policymaking.

In addition to the global financial crisis and hardships affecting the world economy as a whole, the implementation of a powerful domestic policy mix aiming to balance internal and external demand has contributed to the slowing down of Turkey’s growth to around %4. Launched in order to reduce the current account deficit, this policy mix stands out as one of the few options available to us under current conditions.

Efforts to balance demand have been in effect for the past two years, while keeping growth levels below Turkey’s potential, have been effective in controlling demand, thereby preventing a possible rapid and dangerous boom and crash scenario. . In other words, opting for a soft

landing ensures macroeconomic stability. Despite all these measures, however, macroeconomic policymaking merely battles the negative effects of temporary conjunctural economic fluctuations on the current account balance, but they fall short on providing a permanent solution to what essentially is a structural problem.

The most attractive alternative strategy seems to be a revisiting of Turkey's energy policy, given our tremendous energy imports. Indeed, during recent years vast increases in oil and natural gas prices have led our energy imports constitute more than %60 of Turkey's current account deficit. Since we do not possess indigenous oil and natural gas reserves while having to show growth rates between %5-6, we must consider these fluctuations in the energy market as external developments.

It is right at this point that we must focus instead on Turkey's current manufacturing industry. We show %70 import dependency in intermediate goods. The global financial crisis has shown how industrial policies designed from a micro reform perspective (i.e. betterment of the investment and business conditions) are critical for contributing to macroeconomic stability. What I would like to particularly emphasize here is that the formation of a new mindset initiated by the Industrial Strategy and Action Plans, and the direct linkages established between the current account deficit and industrial policy are absolutely essential for solving the problem. In this respect, TÜSIAD is doing its best to assist all parties involved in this transition, particularly by contributions to the Coordination Council for the Improvement of the Investment Environment and the "Industrial Strategy."

We therefore assign great importance to the Chemical Industry Strategy Document,, which was drafted in a participatory and parallel fashion to the "Industrial Strategy" document. Another issue we attach major importance to in industrial and sectoral strategies is the setting up of supervisory and guidance committees under the Ministry of Industry, which would evaluate and develop the action plans emerging out of these strategy documents. Strengthened by the participation of the private sector, meetings under the purview of these committees acquire a dynamic character and allow their proceedings to be shared in a transparent fashion with the representatives of the relevant sectors. We hope that the strategic documents drafted by other ministries are completed, applied, and evaluated in the same way. The above-mentioned documents served as input to the discussions regarding the "strategic investments" section of the New Incentive Package, announced earlier this year. We hope that the Incentive Package will prove to be a strategic step in transforming the structure of our production in the medium term. In this respect, every incentive policy undergoes periodic evaluations and amendments according to its specific and intended goals, in order to assess its compatibility and effectiveness. Supervisory and evaluatory mechanisms, just as in industrial strategy programs, will surely be established for the New Incentive Package.

Esteemed participants,

Given this synopsis, then, what kind of an economic model would enhance Turkey's competitiveness and generate sustainable growth? Keeping problems at employment and production areas at a minimum while retaining stable growth, on the one hand, and orienting production towards exports by balancing domestic and external demand on the other, is indeed an ambitious task. Under these constraints, we now need more than ever sectoral policies and to improve the investment environment. Hence, we consider the Sectoral Strategy Document, initiated by the Ministry of Industry and buttressed by medium and long-term action plans, as an extremely important instrument. Reinforcing these action plans with a participatory framework composed of the representatives of both the private and public sector would furnish

Turkey with a flexible strategy approach in a competitive world demanding rapid decision-making and swift action. a rates It is a very ambitious and bold attempt.

Therefore, we are grateful to everyone who contributed to the preparation of sectoral strategy documents, particularly to the Industrial Strategy Document and the Chemical Industry Strategy Document, which will be appraised here today in this conference.

Thank you for your kind attention.