

TÜSİAD

“44. GENERAL ASSEMBLY”

OPENING SPEECH

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Esteemed Chairman of the Council, Valuable Members of TÜSİAD,
Esteemed Guests, Dear Members of Press,

Welcome to the 44. General Assembly of TÜSİAD. I would like to extend my kindest regards to all of you on behalf of the Presidency Council of the Higher Advisory Board. At the onset of my speech I would also like to thank our Board who continue to serve at these difficult times and all the staff at TÜSİAD for their support. Our gut feeling told us that 2013 would be a challenging year as there were various signs and signals but we by no means expected it to be a period of such extraordinary events.

Esteemed Members,

I would like to start with a brief assessment. The recovery after the 2001 financial crisis was one that saw Turkey to rise among the emerging market countries. This was thanks to a set of economic policies that were practiced with a certain level of determination and adopted also to a large extent by succession governments and applied successfully. The economic policies also supported by the private sector allowed the reconstruction of the “brand Turkey” so as to say.

During the reconstruction phase, the private sector played a very active and distinctive role with manufacturing operations, domestic and international investments, participation in privatization projects and its export activities. With help also of the global conjuncture, Turkey became a real magnet for foreign investment.

Unfortunately however, the uptrend that we managed to collectively create with a lot of effort and investment went through some significant turbulence during 2013. The base of what we had built shook deep down. Last year, brand Turkey was badly damaged on four different points as a result of some obvious mistakes.

The first damage was in foreign policy. Turkey, which had adopted an assertive foreign policy in the name of regional leadership, failed to keep tandem with “real politics” developments. We had “zero problems with neighbors” motto at the onset and ended up having problems with all of our neighbors. We experienced conflicts with countries in the region, which at times went beyond and above the diplomatic conventions. Due to the adopted policies of choice, Turkey was confronted with a considerable level of criticism in the international media.

The second damage was in democracy. The disproportionate reaction shown to the Gezi Park protests, which were a freedom of expression reflex and started as a peaceful protest changed the perception of democracy Turkey built up step by step through the years. Western World had to endure seeing a longstanding ally, Turkey, blame it with a rap over the knuckles. The rising Turkey did not only fail in the democracy test but also showed disregard for the make up exams as a result of the insufficient democracy package and a halt of the work on drafting a New Constitution.

The third damage emerged with the failings in the rule of law. For some time already the long detention times and flows in ensuring fair and just trial processes had been playing on our consciousness. Most recently, an anti corruption and bribery investigation resulted in a complete overhaul of the relevant judiciary and security forces investigating. There were clashing allegations on both sides: “graft state” versus “corruption cases being swept under the carpet” that caused a confidence crisis in judiciary and legal mechanisms. This tension and conflict between the judiciary and executive forces hampered the proper functioning of the separation of forces principle. This also negatively impacted the outlook of Turkey in the eyes of the foreign investors.

The fourth damage is regarding the economy and to some extent is an outcome of the above-mentioned developments. The currency hike post December 17 was tremendously steep and meant a significant 20% increase in the mark to market value of the liabilities of companies with foreign currency exposures. The increase was at 20% when I started writing my speech and already hit 30% after day-to-day surges. This rise has reached a level that may trigger negative deviation from all 2014 targets and expectations in areas such as manufacturing, investment, growth and unemployment. Inflation and interest rates are now in an upward trend.

Needless to say that an environment where separation of forces is not ensured and rule of law not warranted is not conducive to democracy. It is also obvious in my opinion that in absence of democracy and rule of law, market economy will lose its institutional and the loss of confidence in the marketplace will have direct repercussions on the economy. When the increasing risks of the domestic and international politics are also factored in, the resulting picture is not very promising.

Esteemed Members,

The global conjuncture unfortunately is also unfavorable for us at the moment. With US starting tapering of its bond buying program, we are confronted with important repercussion such as global fund flows shying away from emerging markets, resultant adverse effects on countries with high current account deficit, devaluation of local currencies and rapid hikes in interest rates. Are you currently revising your investment plans? Are you adjusting the assumptions previously made for financing conditions? Do the gain on TL assets and revenues generated by companies offset the FX losses incurred? These are exactly the type of questions whose answers shape up the wait and see policy of foreign capital. Local and international experts all agree that there will be a weaker flow of funds into Turkey in 2014.

The strongest pillar of the Turkish economy is the public finance. However with the possible increase in public spending due to nearing elections on one hand and the negative impact expected on tax revenues due to FX losses impaired lower revenues of private sector as well as the increasing burden of interest expenses on the state, we watch the situation with concern

of a risk of possible deterioration in public balance. These risks though not emergent at the moment will be visibly prevailing in 2014.

I would also like to refer to a particular issue in addition to the overall assessment I have made so far. The most recent negative development is the draft legislation submitted to the general assembly of the parliament for restrictive measures to be imposed on “internet”. Considering that globally overall, internet is the major educational and research source for particularly the young people, it is simply unacceptable to even imagine that the proposed legislation will place us among the top 5-10 most restrictive countries in the world through these measures that will serve to restrict freedom of expression and freedom of thought. It is our wish that the parliament will act in accordance with the basic right and freedoms in handling the proposed legislation.

Esteemed Members,

For years, TÜSİAD has advocated sustainable growth and adoption of market economy rules. It also voiced the need to view democracy and rule of law as the main pillar that will enable these rules. The stability of TÜSİAD’s views persevered through time; as our opinions and research are based on universal references of democracy and law. To remind but a few: Our publications started in 1990 with Our Laws and Rights, continued with Democratization Perspective Reports (total of 5) in 1997 and Quality in Adjudication (1998), followed by 5 reports on Democratization and Copenhagen Criteria (1998-2002). Between 2002-2012 there were an additional 6 reports that took the total to 18 and shared with the general public. In other words, TÜSİAD relies on the basis provided by EU’s democratic references. I would like to make a note of that for future use. I would also like to commemorate late Bülent Tanör. Our program today will have parts inspired by him.

Esteemed Chairman, Dear Members,

We are still hopeful that this pessimistic scenario will evolve into a bright future in the medium to long term. We would like to reflect that the recent efforts involving Mr President to resolve the legal confusions are a heartening development. Without doubt, we can swiftly reverse the damages suffered by the brand of the country, resolve political conflicts and regain the lost credibility if we opt to act collectively and based on universal democratic principles.

If we manage to do this, we can reactivate the economic power that is retained within us. We can display our investment appeal and assure the markets with confidence. Turkey is still at the higher ranks among the emerging economies as a country with high growth potential, young population, and domestic households willing to restore trust.

Esteemed Members,

2014 is very significant in a particular way: it will be year of both local and presidential elections.

Our ability to conclude the elections in a healthy and mature way will be a major indicator of our democratic steps moving in the right direction. The slightest shadow to be cast on elections will push our country to another league and keep us there for a long time. On this opportunity, I would like to remind all our young people eligible to vote to take part in this test of democracy with a sense of political and social responsibility and have their voices heard at the ballot box as well.

While I conclude my words, I kindly request all of our members not to withhold support from the board in what we expect to be a more challenging year than 2013 and intensify their efforts in areas pertaining to the future of the country and wish a successful conclusion of the general assembly.