



**January 16, 2002
Meeting on the Turkish Economy**

Remarks of
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Foreign Economic Relations Board (DEIK)

Dear American Friends,

As the President of the Union of Chambers of Commerce and Commodity Exchanges of Turkey (TOBB) I would like to extend my best wishes to all of you. I am very pleased to be together with you at this meeting, organized by CSIS, one of the most distinguished strategic research centers in the United States. I would like to thank the CSIS administrators and Dr. Bülent Aliriza, who organized this meeting.

I am in Washington, D.C. together with Turkish businessmen, who represent the Turkish private sector, as part of our Prime Minister's official visit to your country. My colleagues who came with me to this meeting are the Presidents of the Chambers of Commerce and Industry from various provinces of Turkey.

Dear guests, I want to start my speech by extending my condolences to the family and friends of those who lost their lives in the September 11 events and hope that such a tragic event will never happen again. As a country and nation that has suffered greatly from terrorism ever since the 1970s, we sincerely share the great sorrow of the United States.

**Union of Chambers of Commerce and
Commodity Exchanges of Turkey (TOBB)**

The Union of Chambers of Commerce and Commodity Exchanges of Turkey (TOBB) is the largest democratic nongovernmental organization representing the Turkish private sector. As a professional organization, TOBB is also the only legal representative of the Turkish private sector. All of the industrialists, merchants and businessmen throughout Turkey are members of our organization. Our Union is the umbrella organization of 356 Chambers and Commodity Exchanges that are spread throughout Turkey.

The Union of Chambers of Commerce and Commodity Exchanges of Turkey and the Chambers and Commodity Exchanges, which are members of our Union, have a history of more than 100 years. Our Union attained its present-day structure with the law promulgated in 1950. TOBB, with its 1 million 200 thousand members, is one of the largest professional organizations in Europe.

The Union of Chambers of Commerce and Commodity Exchanges of Turkey, with its extensive network throughout Turkey, is an organization that reflects the existing status of the economy as well as of the country in the best manner.

Our delegates elect the President and the Board of our Union democratically. Our Union does not receive any financial assistance from the Government. It finances its activities with the membership fees and the income it receives for the services it provides.

Dear guests, I would also like to give you some information about my own background. I am from a family of industrialists and businessmen dating back three generations. I am the owner and manager of some companies engaged in the fields of cement, construction, food and foreign trade.

Prior to becoming the President of the Board of Directors of the Union of Chambers of Commerce and Commodity Exchanges of Turkey, I was a member of the Assembly of the Ankara Chamber of Commerce for ten years and the Vice President of the Ankara Chamber of Commerce for one and a half years. After serving as a member of the Board of Directors and as the Vice President of the Union of Chambers of Commerce and Commodity Exchanges of Turkey, I have been serving as the President for the past seven months.

I was elected to this position through a democratic process composed of six different stages.

The other Board Members of our Union and I are committed to the market economy, rule of law and democratic principles. Our principal mission is to open the Turkish economy and the Turkish entrepreneurs to the world and to provide for the integration of the Turkish economy with the global economy.

Turkey's Geopolitical and Geo-economic Position

Geographically, Turkey is the cradle of all the ancient civilizations and is at the point of intersection of the Middle East, Balkans, Caucasus, Central Asia and Mediterranean regions. The Turkish nation, with its past dating back thousands of years, has always been an important actor in world history.

Turkey, with its population of 70 million, extensive geography, well-educated young population, and as a country, which is one of the 20 largest economies of the world with respect to GNP, has an enormous potential. Turkey is a member of NATO, the Council of Europe, the OECD and other similar international organizations.

Turkey has a Customs Union with the European Union and is a candidate member of the EU. More than 3 million Turkish citizens live in the European Union countries and there are over 100 thousand Turkish companies established within the boundaries of the EU.

Turkey is an active member of the Islamic Conference Organization. It has a distinguished place in the Islamic world as a democratic and secular state governed by the rule of law.

Turkey has close relations with the 5 Turkish-speaking states founded after the collapse of the Soviet Union.

Turkey is the most strategic ally of the Western world in the region, both economically and politically.

Thousands of Turkish businessmen, who are members of the Union of which I am the President, are continuing their activities in every field, from industry to trade and from agriculture to the service sector in the Balkans, Caucasus and Central Asia.

The Turkish economy, with its competitive structure, qualified labor force, entrepreneurial potential and liberal economic structure, has an economic potential far above its present economic performance.

Turkey's Present Economic Conjuncture

Turkey has been implementing an effective stability program within the framework of the Stand-by Agreements made with the IMF with the objective of permanently solving the problem of chronic inflation, from which it has been suffering for years, and providing economic stability.

The aforementioned program is also supported by the United States Government. As the largest organization representing the Turkish private sector, we are supporting our government in its efforts for the successful conclusion of the Stability Program implemented in Turkey.

Within the framework of the Stability Program, institutional and legal regulations have been swiftly implemented to provide for stability in the general level of prices, interest rates and foreign currency exchange rates, as well as to provide for the restructuring of the economy.

Turkey is expending considerable efforts and taking measures, which will facilitate foreign direct investments (FDI) in Turkey by rapidly adopting the necessary basic legal regulations, including the amendment of the Turkish Constitution. Within this framework, an International Arbitration Law has been promulgated with the objective of accelerating FDI.

Furthermore, the Industrial Regions Law was passed and currently a foreign capital agency is being formed with the objective of removing the bureaucratic obstacles preventing FDI. A program has also been devised with the World Bank and will be implemented with the objective of removing the barriers to FDI.

Structural reforms are continuously undertaken so as to eliminate the negative effects of politics from the economy. Within this framework, independent regulatory boards were established for the markets to acquire a competitive structure in banking, capital, telecommunications, public procurements and similar subjects and the basic laws related to these have been promulgated.

An Independent Energy Board has been established to encourage foreign investors, especially in the electricity, petroleum and natural gas markets, and to provide full competition. The agricultural sector is being restructured, the social security system is being reorganized according to the world standards and the standards of the educational system are being raised. The legal infrastructure is being reorganized to accelerate and complete the process of privatization in Turkey.

In addition to the stability policies, the Turkish economy is being restructured to provide for the integration of Turkey with the global economic system. The basic public policies to be implemented for the restructuring of the Turkish Economy are determined through a transparent and participatory process.

The Union of Chambers, as a prerequisite of its societal responsibility, has contributed in every possible manner and will continue to do so in the determination of the economic policies, with a view to resolve the economic problems of Turkey. During the past six-month period, we prepared a list of proposals with the aim of helping the real sector to start growing again, and presented it to the government. Within the framework of our proposals, basic measures, which our government has promised to realize, are being taken on the following subjects:

- Inflation accounting,
- Fighting against unemployment and increasing employment,
- Increasing exports by simplifying bureaucratic procedures,

- Restructuring the tax system,
- Making export loans more widespread,
- Decreasing the non-tax burdens reducing the competitive strength of Turkish industry
- Fighting the informal economy.

Furthermore, the legal regulations, which will provide for the rehabilitation of the Turkish banking system and enable the financial sector to extend loans to the productive sector, were realized with the contributions of our Union.

Relations Between the United States and Turkey

The relations between the United States and Turkey were at first shaped around defense policies. More recently the economic dimension also started to be prominent and our relations evolved around the concept of "Enhanced Partnership" to reach the "Strategic Partnership" stage. However, due to various reasons stemming both from Turkey and the United States, our economic cooperation remained restricted.

When we look at Turkey's trade with the United States we note:

- A total of 10.4 percent of our exports were made to the United States during the January-October 2001 period. The amount of exports is 2.7 billion dollars. The United States is in second place in our exports, after Germany.
- 2.7 billion dollars of our imports came from the United States in the same period. The United States is in fourth place, with a share of 8.1 percent of our total imports.

When the potentials of both countries are taken into consideration, the foreign trade data show that our trade and industrial cooperation is very far from the desired level. Increasing the volume of trade between our countries that share the same universal values to a level that reflects the existing level of political and military cooperation would be mutually beneficial.

I would like to present my basic proposals to you here with the objective of improving the economic relations between the United States and Turkey:

1. The quotas applied by the United States to Turkish textile products should be removed as soon as possible.
2. The "Qualified Industry Zone" model, developed by the United States for Israel and Jordan, should also be implemented for Turkey.
3. The trade regime applied between the United States and the European Union, should be applied with the same conditions for Turkey, which has a Customs Union with the EU and is in the position of a candidate member of the EU.
4. A Preferential Trade Agreement should be signed between the United States and Turkey.
5. The United States Government should declare to its citizens that Turkey is a safe tourist destination.
6. The United States Government should facilitate and encourage the transfer of high technology to Turkey, beginning with the defense industry.
7. The principal and interest debts of the FMS Loans should be cancelled. The Preferred Country Status applied to Israel in defense industry cooperation, should also be applied to Turkey.
8. By taking into account the successful performance of the Turkish entrepreneurs in high-risk countries, the United States Government should encourage the American companies to engage in joint investments for the reconstruction of Central Asia and Afghanistan.
9. The American capital holders should be encouraged to make investments in Turkey in the form of "Foreign Direct Investments", especially in the energy and tourism sectors.

We believe that it will be beneficial if action committees composed of representatives from the Turkish and American private sector and government officials are formed for the realization of action plans that will be prepared by these committees with the hope that these proposals will be implemented as soon as possible.

As the Union of Chambers of Commerce and Commodity Exchanges of Turkey, we are ready to actively participate throughout this process.

