



SPEECH

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ADDRESS BY PRESIDENT OF BUSINESSEUROPE ERNEST-ANTOINE SEILLIÈRE

LUNCH MEETING WITH TÜSIAD HIGH-LEVEL REPRESENTATIVES MONDAY 21 APRIL 2008, 12H30 – 14H00, ISTANBUL

Dear President,
Ladies and Gentlemen,

It is an honour and my pleasure to begin my very first visit to Turkey as President of BUSINESSEUROPE by addressing you today.

I would like to start by complimenting you on economic achievements.

Turkey has been running ahead of the most dynamic EU economies with an average growth rate of 7% over the period 2002-2006 – and a peak at 10% in 2004. The Turkish economy progressed at a slower pace of 5% in 2007. But despite this recent slowdown, the economy remains robust. Turkish companies generated 1.2 million new jobs in 2006-2007.

An increased budgetary discipline and tight fiscal policies have positively contributed to this growth period. The budget deficit was significantly reduced – from 33% of GDP in 2001 to close to 1% in 2005.

Turkey also shows excellent results with curbing inflation. From around 65% in 1999, the inflation level was brought down to below 10% in 6 years.

Turkey has also undergone a fundamental change in transitioning from an agriculture based to a services-oriented economic model. Services now account for 60% of Turkish GDP, a proportion comparable with the EU-27 average.

The Turkish economy has undoubtedly modernised at an impressive and unexpected pace over the last decade. Hence, Turkey was recognised as a fully functioning market economy in 2005.

Needless to say, with the ever closer economic relations between the EU and Turkey, this strong economic performance has benefited European economies and companies as well.

Indeed, since the customs union was established between Turkey and the EU in 1995, both parties have grown into major trading partners. The figures are well known: trade with the EU represents 50% of Turkey's trade volume. Turkey is now the EU's 7th import partner and the 5th export destination of EU products just behind China. The EU's merchandise exports to Turkey amounted to 46 billion euros in 2006, with an average annual growth of 16.2% since 2002.

Turkey's market openness and dynamism has also made it a destination for European and international investment. Some 15,000 foreign companies operate in Turkey today.

EU-Turkey links are numerous and manifold. The fruitful cooperation we have within BUSINESSEUROPE illustrates these mutually reinforcing relations. The BOSMIP projects are an excellent example in this regard.

Here I will not try to elude the question of Turkish accession to the EU, especially not at a time where the EU has been giving several encouraging signals to Turkey.

The revised Accession Partnership adopted by the European Council on 18 February 2008 renews the commitment of the Union to the process of negotiations and thereby its belief in the country's genuine European vocation. This is an important signal to the Turkish population in a period when voices – both in Turkey and amongst EU Member States – are harshly questioning the legitimacy of this process.

Moreover Istanbul has been designated as the European Capital of culture 2010. This makes it the first city of a non-EU country which is being given the opportunity to showcase the cultural richness and diversity of Europe.

As I understood it, 2014 is TÜSIAD's target date for effective accession to the EU. Turkey is expected to reach 50% of the EU-27's average per capita income by that date.

BUSINESSEUROPE's position is known in this regard. It has remained unchanged since the Council of Presidents reached it in 2004. BUSINESSEUROPE has always stressed that a good EU-Turkish relationship is essential from an economic viewpoint. Turkey, as I have highlighted, is an important economic partner of the European Union and both sides would benefit from further economic integration. But we must be aware that the negotiations will sometimes be difficult. BUSINESSEUROPE advocates that Turkey should be evenly treated and that the path towards accession must be equitable as for any other candidate country.

It is for the European Council to decide whether the Copenhagen political criteria are fulfilled. In this regard I would like to refer to President Barroso who rightly said in front of the Turkish Grand National Assembly a couple of weeks ago that “there is no shortcut to accession”. Turkey must therefore spare no efforts to remove the remaining hurdles on Turkey’s path to EU integration.

This is even more needed to create a level playing field for Turkish and European companies in an environment of unprecedented global economic and monetary uncertainty. The President of the Federal Reserve has alluded to a US recession, continuing financial market turmoil and rising inflation.

As we will publish our Economic Outlook in a few days, I will not reveal it all but I think that we can still express some optimism:

- the European economy will still grow and outstrip the USA for the 3rd year in succession;
- Companies’ results remain strong, certainly in industry;
- Investment predictions are fairly positive;
- Exports are still at high level;
- Employment is growing.

But it is no time for complacency. Increasing global challenges such as rising raw material and energy prices, environment protection and demographic pressures will require a strong Europe joining all forces to find concerted and sustainable solutions. Against this background, if we want a successful Europe we need successful companies.

Therefore, on the occasion of the 50th anniversary year of BUSINESSEUROPE we have renewed our messages to European and national policy-makers as follows:

- We need to make real progress in the implementation of the Lisbon strategy, continuing with reform processes beyond 2010. The strategy is good but the goals will not be achieved. Therefore we must already look at how the strategy will have to be reinforced after 2010.
- Deepening the EU single market and ensuring effective enforcement notably of the services directive is a must. The single market of 500 million people in 30 countries (EU-27 plus Norway, Liechtenstein and Iceland) is a tremendous instrument to strengthen European companies in order to face global competition.
- Hand in hand with these policies we must modernise our social systems and reform labour markets in order to meet the demands of an ageing society and the lack of skilled people. An effective social dialogue at EU and national level is key in this respect. The agreement we reached last year on – inter alia – flexicurity is a milestone in the European social dialogue.
- In addition we want to fight all kinds of protectionism in the European Union and in the world. This is the only way forward. As already mentioned, the single market is

the success of Europe but far from complete. At global level, we urgently want to see the Doha negotiations finalised. Not at any cost but under conditions where all companies can benefit from more market access.

- We also attach the utmost importance to good governance and a swift ratification of the Lisbon Treaty. This is key to ensure that a European Union of 27 Member States remains operational.
- Finally, BUSINESSEUROPE is committed to promoting a secure, competitive and climate-friendly energy system but advocates that European industry should not bear the entire burden. What we want to see is:
 - the competitiveness of European industry maintained,
 - the security of the EU's energy supply strengthened,
 - and efficient policies designed to control the EU's carbon emissions developed.

If we are to achieve this, the starting point should be that climate protection must not be opposed to growth and competitiveness. However, companies are concerned about a number of elements in the energy and climate package put on the table by the European Commission in January.

Massive investments in the search for clean production technologies will be needed to evolve towards a low-carbon energy system. Energy-intensive industries in particular will face heavy additional burdens resulting from this necessary transition. Clearly, mitigation measures will be needed to alleviate the competitiveness pressures.

So far, the European Commission has been receptive to our concerns but we cannot afford to slacken our vigilance.

Further, BUSINESSEUROPE is firmly convinced that there will be only one way to meet the climate change challenge successfully, from an environmental as well as an economic point of view: by finding a global agreement which also includes all major emerging economies. To this end, we must join forces and we also need the voice and commitment of Turkish business to support Europe as the world leader in tackling climate change.

As you can see we have a lot to deal with in BUSINESSEUROPE. I feel strong support from all our members and from you as a dynamic and forward-looking organisation in particular. This is essential for me as President. It is only when I am backed by all the members that I can raise my voice on behalf of European business to strengthen our position and to turn Europe into an attractive place to invest in and to conduct business.

Thank you for your attention.

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