

*****Check against delivery*****

**Speech of Mrs. Arzuhan Dođan Yalçındađ,
Lunch with BUSINESSSEUROPE President Seillière
21 April 2008, Istanbul**

Dear President, Distinguished Guests,

Mr. Seillière and Mr. de Buck I would like to welcome you in İstanbul on behalf of TÜSİAD. As you would recall we had very good relations and achieved a lot with MEDEF during your Presidency and now we are very happy to host you as President of BUSINESSSEUROPE (with which we have increasingly close working relations).

This visit takes place just a week after the visit of the President of the European Commission Mr. Barroso and the Commissioner Rehn. As you are well aware, your visit coincides with interesting developments in Turkey and revival of Turkey's efforts to move ahead on its commitments for EU accession process. Today, I will briefly touch upon the economic and political developments in Turkey from TÜSİAD perspective.

TÜSİAD has always been proactive in supporting Turkey's engagement with the EU and tried to be particularly proactive in the civil diplomacy. We should definitely underline that our membership to BUSINESSSEUROPE for 20 years has provided us the necessary institutional framework to enhance our relationships with the European business. It has given us the leverage to participate in the Europe-wide civil discussions on the future policies and the course of the EU prior to the accession of our country.

BUSINESSSEUROPE constituted a know-how case set an example for TÜSİAD in terms of organizational structure. Through our membership to the Confederation and our EU Representation in Brussels, we developed the necessary institutional capacity to better monitor European integration and Turkey's pre-accession process. This comprises committees, specialized working groups on negotiations chapters, several reports by expert teams, mostly parallel to the structure and methods of BUSINESSSEUROPE.

Based on its positive experiences acquired thanks to its BUSINESSSEUROPE and BUSINESSMED memberships, TÜSİAD has pioneered in 2006, the establishment of "Union of Black Sea and Caspian Confederation of Enterprises" (UBCCE), the first non-governmental and voluntary business organization of the Black Sea and Caspian Region. UBCCE, which now unites 19 business organizations from 15 countries aims to become over time the "voice of business" in this emerging part of the world. Our mission is to serve as a useful basis for developing a market oriented economic vision and help at the same time build an environment of peace and stability in the Region.

We intend to achieve this mission by creating a platform of dialogue between business people. On this occasion, I must mention that UBCCE's strategic goal is to place itself as a reliable and effective international union in the eyes of the business community and become the counterpart organization of BUSINESSEUROPE in the Black Sea and Caspian Region in the near future.

If we look at the bilateral economic relations with the EU, we see that the economic interdependence between Turkey and the EU has grown within the customs union framework and proved to be beneficial for both parties. As of today Turkey is the 7th largest trading partner of the EU. Foreign Direct Investments from EU member countries continues to flow into Turkey at an accelerating rate. The customs union functions generally well. Turkey has become a more transparent and predictable economy with higher production standards. However, Turkish business has come gradually in a position to suffer from EU's increasing free trade agreements with the rest of the world. Being in the customs union but not a full member, Turkey is lagging behind to sign simultaneously those agreements due to unwillingness of some countries to do this with Turkey. This creates a trade distortion effect and is against mutual benefits of both Turkish and European business. We work both in Ankara and Brussels to find a way to overcome this unfair situation. We hope that BUSINESSEUROPE would also support us in this matter.

Dear President,

Turkish economy has displayed a significant growth performance in the 2002-2006 period. The average GDP growth rate for the mentioned period was 7.5%, which was higher than the average growth rate of the emerging economies of the European Union.

However, the remarkable growth period of the five years following the 2001 crisis has come to a halt since the second half of 2006. As you may remember this was the time when we first started to feel the shift in sentiment in the global financial markets. The international financial market fluctuations in 2006 started with the increasing worries about the inflationary pressures world wide. These worriers followed by tightening monetary reactions in the developed economies. And these conditions created volatility in the financial markets and increased the risk premium attached to Turkish financial assets.

Considering the current international financial fluctuation stemming from US and the ongoing domestic political tensions, we believe that the economy will continue growing but a slower pace in 2008. The new GDP numbers for the last quarter of 2007 is justifying the continued slow down in domestic demand. The yearly growth was 4.5%, which is way below the 7.5% average of the 2002-2006 period. We think that it may be the same or close to this number in 2008.

Following the adjustment of Turkish national accounts to European standards that placed Turkish economy in the 15th rank in the world, our per capita income has grown to approximately 10.000 USD.

There are also significant gains in the macro structure of the economy. Thus, as long as the EU accession process is continued and the international financial fluctuation does not turn into a big crisis, we believe that the economy will recover its high growth pace through the second half of 2009 and accelerate onwards.

Mr. President, as you know Turkey is currently going through a politically turbulent period. The responsibility to overcome this turmoil is undoubtedly ours.

Aware of this responsibility, Turkish civil society has gathered its forces to avert a crisis. As TUSIAD we have come up with a simple but far reaching set of proposals demanding that a comprehensive long-term democratization package be prepared with maximum participation. Our call found an echo among other organizations that were in the process of preparing their own position. A large and representative coalition of societal forces is therefore in agreement on a wide range of issues that will further strengthen the institutions of Turkish democracy.

It is clear that Turkey's current problems can only be solved within the EU process, which should be revitalized by both the EU and Turkey through more rational policies without questioning the target of membership.

It is of critical importance that the EU side and particularly our colleagues in the European business choose approaches, discourses and measures to fortify political and economic reforms in Turkey. Our country's two centuries old modernization process, its secularism and democratic experience, its commitment to the EU accession, to the Western alliance and the liberal market economy are precious and deeply rooted. Civil society has long ago adopted the goal of EU membership. Now, the real question for both the EU and Turkey's civil society is how to lead the current evolution of Turkey towards this target. Especially we should be concerned about losing our way with short-sighted debate in Turkey's domestic politics or some EU politicians' temptations for political demagoguery exploiting arguments of cultural incompatibility.

We believe that a powerful Europe is an essential factor for the World's evolution towards stability, democracy and sustainable development. TUSIAD is also convinced that only a strong and united Europe can meet the challenges of the 21st century, such as sustained knowledge based economic growth, enhancement of the transatlantic relations, the rise of China and India. Such an EU will overcome the challenges of domestic and international security including energy security.

And a Turkey which will be fulfilling the criteria of the EU membership within five to ten years will bring to Europe the critical size that it needs to better meet these challenges.

With its high growth potential, young and dynamic population and the entrepreneurial spirit, Turkey provides an important potential market for global business. Regional political stability can only be established on a sustainable basis if economic development spreads throughout the region. Turkey might play a role in revitalizing European competitiveness.

It has to be underlined that the long-term vision of European business about Turkey's role and contributions in the future of the EU will be on the one hand a guide for the European politicians and on the other hand, a firm support to Turkey's reform process, which will lead our way to ultimate EU membership.

We are confident that our European friends will heed our call and take the necessary steps to help secure this very goal that will serve us, the EU and the world at large.

Thank you very much for your patience.