**OPENING SPEECH BY MR. M.RIFAT HISARCIKLIOGLU, PRESIDENT OF TOBB, AT THE 70th FISCAL GENERAL ASSEMBLY MAY 22, 2014 / ANKARA**

Distinguished Chairman of the General Assembly and the Chairmen of Councils, Highly Esteemed Prime Minister, who honored us with his presence at our General Assembly, Distinguished Leader of the Republican People’s Party, Distinguished Representative of the Nationalist Movement Party, Distinguished Ministers, Members of the Parliament and Bureaucrats, Esteemed Presidents of the Boards and Chairmen of the Assemblies of Chambers and Commodity Exchanges, hereby representing our 1.5 million members, and Delegates of the General Assembly, Distinguished Chairpersons of the Board of Women and Young Entrepreneurs, Ladies and Gentlemen, Dear Members of the Press, Dear Fellow Workers,

I would like to extend my deepest respect on my behalf and on behalf of the Executive Board of TOBB.

Welcome to the 70th Fiscal General Assembly. You honored us with your presence.

It is unfortunate that this gathering takes place following a tragedy that immersed us in an indefinable pain. We had 301 martyrs in Soma. May Allah grant their soul peace. May Allah make them enter his paradise. I wholeheartedly share the grief of the mournful families. I extend my condolences to them and wish them all the patience they need.

We were there in Soma the very first day of the catastrophe. We saw those that joined the rescue teams, leaving everything behind. We witnessed many heroic stories. We took a lesson of humanity. We met those courageous people, who went back into the mine not to leave another friend behind. Our people truly sympathized with the sorrow of the people of Soma. I would like to extend my gratitude to those who felt this pain, and worked to be some sort of a remedy.

Families of the mineworkers, who departed now, are trusted with us. Taking this opportunity, I would like to thank all Chambers and Commodity Exchanges that contributed or will contribute to TOBB’s aid campaign. I call upon the entire business community to join this campaign. However, sharing the sorrow of those left behind does not ease our responsibility. According to our belief, the entire universe is created for human beings; nothing in the Universe can be more important than human beings.

Human life should now be our number one priority in every field. This is truly a right to be enjoyed. Everyone should fulfill his or her respective responsibility to this end. Those who are responsible of the tragic Soma event, be it from the public or private sector, should be identified and be transparently tried in court.

Dear Friends,

We lived through an intensive working year. We worked 24/7. We produced, exported. We provided employment. We only had one single goal: to render our country wealthier, and our people more prosperous. You have seen our undertakings in a detailed manner in our Activity Report. You saw some of it through the movie on the screen. There were two pillars that all these endeavors were based on.

The first pillar is you, the entrepreneurs filling this room. You all represented the struggle, courage, belief, tenacity and will. You have been the heroes of production, employment and export. Presidents of Chambers and Commodity Exchanges have duly exercised their very duty of being opinion leaders of the business world.

They made great efforts for the development and branding of the cities, generated ideas and projects. So all these activities, accomplishments are the work of our entire community. I would like to commend each and every one of you for your hard work and effort, extend my gratitude and acclaim all of you from the bottom of my heart.

The second pillar of our endeveours is the support given by the government and parliament to the business community and the arrangements they realize coupled with the existing stability.

If one out of these two pillars was missing, we would not be able to succeed. Therefore, on behalf of our community I would like to extend my gratitude to the President, the Speaker of the Parliament, the Prime Minister, the Leader of the Main Opposition Party, the Ministers, the political parties, the entire Parliament for being alongside with us during our actions.

Our bureaucrats also made great efforts and worked hard together with us. We were hand in hand as the public and private sector. We put into practice many things that added value to our country. I would like to thank them as well.

My dear friends,

You know that businessmen firstly do the assessment of the previous term and then try to do forecasts.

Therefore I would also like to first asses the developments in our country and the world.

As the private sector we think that the last year, 2013, was promising. Despite negative happenings both in the country and abroad, our private sector continued setting records in many areas. It augmented the production volume, the investment amounts and employment.

Why would entrepreneurs invest, start businesses and provide employment? Because they have hopes for future. With this hope we continued raising new entrepreneurs for our country. Number of operating companies increased by 77 thousand and reached to 1 million 576 thousand, which is the highest in the history of the Republic.

We continued providing employment to our people. We beat the previous record of the history of the Republic in employment. We increased the number of registered employees solely by 620 thousand and reached in total up to 12 million. On the other hand, we carried on investing for the future of Turkey.

Machinery and equipment investments of the private sector attained 86 billion dollars. Who made this possible? You all, filling this room and the community you represent made this possible. We take great pride in you. So fortunate we have you!

I would like to take this opportunity to extend my gratitude to primarily our Prime Minister and our ministers, Mr. Ali Babacan, Mr. Hayati Yazıcı, Mr. Nihat Zeybekçi and Mr. Fikri Işık, who are here with us today and to all other ministers who served, for the support they have shown to the activities of the private sector.

Distinguished Guests,

A different “global economic environment” is waiting for us in 2014 and beyond. I personally see that there are 7 global trends emerging that will reset the rules of the game and change the world.

The first trend is the change in the global financial climate. In the aftermath of the global crisis, there was the period of monetary enlargement. FED, the U.S. Central Bank would introduce 1 trillion dollars each year to the market. Thanks to this, countries, companies and even individuals would easily borrow money, invest and spend. Economies would grow. But this period now comes to an end.

FED will decrease the amount of money introduced to the market, and eventually stop doing so. Now, both our companies and individuals have to act more prudently and cautiously. As the public and private sector, we have to focus on ways to adapt to this new environment.

The second trend is the changing global trade and investment climate. Regionalization around the world is gaining ground. USA is the spearhead of this trend. First, there is the “Transpacific Partnership Agreement” with Pacific countries. There are important countries such as USA, Japan and Korea in this initiative.

On the other hand, USA expedited the efforts for the “Transatlantic Trade and Investment Partnership”. These two initiatives correspond to two thirds of the global economic power. These partnerships will determine the global trade and the destination of investments. Moreover, they will be determining in terms of setting the production standards.

Let me give you a striking example; products we manufacture are for 220 volts. If these countries decide that 110 volts is the new standard, then we will either change the manufacturing standards or will not be able to sell to these markets. In other words, those who are in this new global system will be more advantageous than those outside. As Turkey, we have to be included in this new setting.

Third important trend is the changing energy map.

Thanks to technological advancements, “shale gas” happens to be more reasonable in price and generable. As a result of this, price of natural gas in US decreased by 60% in the last 5 years. In near future, USA is expected to become a net exporter of natural gas. This development will drastically change each and every decision in the world, including the investment preferences. We, as a country dependent on abroad in energy, already need to address this issue.

Fourth global trend is the fact that “entrepreneurship” becomes the main element of international competition.

All countries struggle to attract “innovative entrepreneurs”. Let me give you another striking example.

52% of the entrepreneurs in Silicon Valley in US were born outside US. This means that USA invests for future.

USA attracts innovative entrepreneurs from all over the world. Innovation companies move to US. Whoever attracts more entrepreneurs and accommodates for new ideas will tomorrow be the winner. In other words, those who “invent” win. My fellow brothers, we have a young and dynamic population living on this soil. What do we wait for? Let’s make entrepreneurship appealing, guide youngsters to be entrepreneurs, support them and get our deserved place in the world.

The fifth trend is Internet becoming the backbone of economy.

Unfortunately we make use of the Internet only for social media purposes, and even like a coffee house. On the other hand, Internet is an opportunity particularly for SMEs to decrease cost and opening up to the world. Thanks to Internet, each SME can access the world without any intermediary. Baklava from Gaziantep, furniture from İnegöl is sold online to the entire world. World is just one click away. What do we wait for? Let’s discover this giant market.

The sixth trend is the growing “middle class” in the world.

I will give you a figure to illustrate the importance of this. Every year, global middle class expands by two times of the Turkish population each year. Today, annual spending made by the global middle class is 7 trillion dollars. This figure will reach up to 20 trillion dollars in 2020. We need infrastructure; we need production to meet this demand. In order to reach these markets and sell more goods, we need to revisit our industrial policies accordingly.

The seventh global trend is the fact that “cities” are now more at the forefront in economy.

The reason for that is the middle class concentrating more in cities. Let me underline the fact that today 1,5 billion people live in the largest 600 cities of the world. Economic volume of these cities is approximately half of the world economy. After a decade, it will be 60%. This translates into the fact that not only countries but also cities compete with one another in the world now.

What I saw recently on a foreign broadcast was very interesting. A foreign city willing to shine out in the competition establishes the fastest Internet infrastructure of the world. Therefore the city attracts high-tech enterprises and the city prospers quite rapidly. So, we must also increase the attractiveness of our cities. To this end, our cities need to become trademarks, improve their environmental consciousness and become “smart cities”.

Dear friends, the bottom line is that the world discusses these issues and prepares itself. Those countries that set policies accordingly will distinguish themselves from the rest. They will be the winners. We have to address all these issues, elaborate on them and generate respective ideas.

Distinguished guests,

This year we lived through and still live through 2 important elections. In local elections, our people owned up to the democracy with a highly befitting maturity and portrayed their will. Now, we have the Presidential election. It is especially important this time because for the first time the President will be elected through a referendum.

We believe that this elections time will come to an end in sobriety. I hope that the elections results will pave the way for a “new social agreement”. For as much as we need “ease and calm”. We should have ease and calm so that we all focus on our work.

We shall do more production, more investments and more export. The geography we are located in becomes more complicated each passing day. Despite this fact, in the first quarter of this year, we increased the industrial manufacturing by 5.3% and the export without gold by 4.5%. This picture will have a positive impact on growth as well.

However for a better Turkey and better future, we have to be able to do better. Our income per capita remains to be approximately 10 thousand dollars for the last 6 years. If we want to attain the objective of having 2 trillion dollars of national revenue by 2023, then we must grow by 8% every year.

In the last decade, our growth rate was over 8% for 4 times. That means we are able to do this. Now we have to make sure that economy gains impetus and sustain high level of growth. However we cannot do this as a country, which creates current account deficit in order to manufacture and incurs debt in order to grow.

How are we going to rapidly grow, and protect our competitiveness? How are we going to surmount the low level of savings barrier? In public administration how are we going to instill a corporate structure free from arbitrary actions? Are we going to be able to regain our competitiveness we lost due to labor cost in quality and innovation? Are we going to settle the problem of collection our enterprises experience in the country with new tools? Answer to all these questions is “a new growth model”. To this end, we need a series of structural reforms.

Politicians, bureaucrats, academicians and the business community have to unite to generate policies with common wisdom. Economic reforms realized by our government in the last decade gave encouragement and confidence to our business community. So, now let’s light once again the fire of reforms and complete those missing.

Then, with God’s will, this community can reach even greater objectives. We are making the necessary preparations. We keep our finger on the pulse of the business community with regular surveys. We witness that our business world has the hope for the future. Without hope there is no development. On the other hand, there are needed structural reforms. These are the 5 priority areas for reform:

* Tax reform,
* Industrial strategy reducing the current account deficit,
* Promotion of employment,
* Decreasing the input costs,
* Improving real sector’s working environment with the banks

Distinguished friends,

Tax reform is the number one priority of the business community. We have to set up a system that collects tax in a more fair and just manner from everyone not only from those the system can “catch”. The tax reform should not only aim to increase the revenue of the state. Additional revenue generated by the taxes should be used to lower the high tax rates.

We always underline one issue. There should be affirmative action to proper taxpayers so that everyone is encouraged to pay their taxes. Those that pay in time should be rewarded. So, let’s protect those that duly pays their taxes!

Decreasing the current account deficit is a must for a more robust and stable growth. To do that, our industry should grow stronger. Last year, our industrial export was lower than the previous year. Share of medium technology products in our export increases. However, share of high technology products decreases.

This points out the need for a structural transformation in our industry. We have to support industrial activities with high added value via special programs. We should be able to give investment incentives on product basis; we should not be avoiding this. When we are getting prepared for our next industrial move, we should also take into account not only Turkey but also the opportunities in the countries of this region.

We should establish production and value chains in the periphery of Turkey. As TOBB, we have a dream. In this region, we dream having industrial zones where people speak in Turkish, with Turkish flag flapping in the entrance. Turkey is an industrial giant in this geography. We can transfer our expertise and experience to neighboring countries and benefit from their opportunities as the Turkish business community.

We are taking the very first step of this in “Jenin”, Palestine, with the approval of our Government. We should be able to increase the number of such industrial zones to 10 and even 100. We should devise a comprehensive strategy for this. It’s now time we set ambitious objectives. Our very objective should be to produce for the world and bring along the added value to Turkey.

Distinguished participants,

Another main area of complaint by our entrepreneurs is the high input costs. Taxes on fuel impede our competitiveness and trigger informal economy. Let’s decrease all high taxes relevant to energy gradually. Our government took a courageous step when putting the “premium discount” into practice. Thanks to this initiative, both formal employment and revenue generated by premiums increased.

Informal economy reduced. Employees, employers and the state all won in the end. Let’s decrease the tax burden on fuel used in domestic transportation by our exporting industrialists. Let’s give freight support to the international transportations of our industrialists. Recently, many transportation projects were realized, connecting every region of our country.

Investments in transportation changes the landscape of our country, decreases the costs of tradesmen and industrialists. We would like to extend our gratitude to our government for all these investments. Taking special note of the principle of effectiveness, we should augment our railway investments. We should make sure that the railways are connected to Organized Industrial Zones, ports and logistic centers.

Distinguished friends,

Another important need is the affirmative action for SMEs for globalization provides advantages for the “bigger” ones for the logic of economics. If there is poor management in this area, competition environment is distorted; bigger companies take the helm of the markets.

Then our SMEs and industrialists become contract manufacturers. Let me give you a figure illustrating how important SMEs are for the economy. No one takes note of this but today 63% of export is realized by SMEs. They only account for 39% of import. This means that SMEs are the solution for foreign trade deficit. We need an ecosystem where SMEs can also grow, not fade away from the market and compete on a level playing field.

To this end, we have to implement a system, globally recognized, in our country as well. It is called the “Development Oriented Public Procurement Policy”. When we give way to foreign brands in public procurement, we support the “companies of foreign countries”.

If we keep doing so, SMEs of Anatolia cannot transform themselves into being “global companies of the future”. There should be arrangements in favor of SMEs in public procurement. There are some legislative decrees but the implementation is weak. For example, with the instruction of our Prime Minister, the decision of 15% price advantage for domestic production in public procurement was taken. However, bureaucracy did not implement this.

In 93% of public tenders, this decision was not implemented. Even municipalities prefer imported goods but not domestic production. Our government also realized that this circular was not implemented. 3 months ago, the government introduced a new arrangement that grants price advantage to domestic goods. We are looking forward to seeing this very positive step be implemented. We would like to thank you once again for this initiative. Now a similar arrangement should be introduced for offset operations. Thanks to this arrangement, there will be new opportunities of work and technology for our national industry.

Distinguished friends,

One other problematic area for us lately is the cost charged by banks. Loan costs of the private sector already increased due to the global financing conditions. On top of this, we have the annually increasing transaction costs of the banks.

Real sector is tired of paying for these costs under different names such as duties, commission fee, filing fee. Are the banks really in need of this filing fee on top of the already high amounts of interest payments?

In this era, if the real sector sneezes, banking sector catches cold. I call upon the banks to put off this remorseless practice, and abandon their egocentric way of doing business. Let’s not forget, you exist with the condition that SMEs exist!

Distinguished friends,

Here I would like to prick us a needle and make a self-criticism. Surveys we carried out revealed another important fact. Smaller the enterprises, more difficulties there are. However we still stick with our philosophy being “small but still mine”, we do not unite our forces, we do not establish partnerships whereas we have a culture of partnership.

It is time for our companies to stick to this culture and unite their forces. If you want to have an upper hand when buying, selling, bargaining with the bank, your business should grow. If you do not have enough capital for that, do engage in partnerships. Go public.

His Excellency Mr. Prime Minister,

Upon your instructions, several steps were taken to issue green passports to the Presidents of Chambers and Commodity Exchanges and withstanding businessmen. However, as I numerously stated, we could not translate these into actions. Mentality of the holders of green passport hindered this process.

We should not forget that our country is represented not only by our bureaucrats but our businessmen as well. Reputation of our entrepreneurs is the reputation of our country. Their success is the success of the country. Free us from these balls and chains! So we can, as Turkish companies, open up to the world.

Another important problem of the business community is that the private sector comes the second in the agenda of regional development agencies. We give utmost importance to Development Agencies to realize local development projects. To this end, we believe that local players should have more effective roles. Bureaucrats, primarily Governors do serve for a specific term in the provinces they are appointed to. Therefore, they don’t know the background of a project, cannot do a follow-up of a project let alone feeling the history of that province. On the other hand, Chambers and Commodity Exchanges are the memory of a province. They are the primary representatives of the business community. They follow up to the end all projects done for their provinces as if it is their own job.

Therefore, public and private sector should be hand in hand in provinces and regions; priorities should be set with common wisdom.

Distinguished friends,

European Union is an important tool to improve stability and democracy. EU process brings along benefit to our country from the economic perspective as well. It is the EU market that will sustain our competitiveness. The reason is that EU is still the closest market with the highest purchasing power in the world. It will continue to be so in the near future. We, as the business community, give full support to EU values.

Lack of vision and prejudiced approach of EU leaders should not make us desist from instituting the required reforms. On the other hand, Customs Union started working against us due to the Free Trade Agreements EU signs with third countries excluding us. Coupled with that, there are transportation quotas and non-tariff barriers in front of us. The structure that excludes us, harms us must change.

Esteemed friends,

There is another important issue: new Constitution. Every fragment of the society accepts that a democratic constitution, in line with EU norms is needed. With this new constitution,

* Legislative, executive and judicial powers will be able to function in harmony,
* Our structure of democratic, secular and social state of law will be more institutionalized,
* Our Republic, entrusted to us by Mustafa Kemal Ataturk will attain to the level of contemporary civilization.

Our Parliament, political parties and all institutions have important tasks to fulfill in this process. We should not allow Turkey regressing or being dragged into a hostile, chaotic and unclear atmosphere.

Let’s ensure that peace in place of fight, dialogue in place of conflict prevail. We should take a stand against any initiative that would hamper democracy and development. Let’s be in close ranks to create such a Turkey, let’s work more together. And in this framework, let’s carry our new Constitution into effect.

**My beloved and esteemed friends,**

Representatives of all enterprises of Turkey are here in this room! We are a giant family “working day and night” to serve Turkey. We are tradesmen who open their shops in the morning with “prayers”, do the first sale of the day while reciting “bismillah” and leave at the end of the day “thanking Allah”. We are Anatolian tigers.

We are those soldiers going after honest earnings, working for this country from Ardahan to Edirne. We are in 7 regions, 81 provinces. We are from all colors and all standpoints. We have an honest path and our hearts are with justice. We have a common cause, a common longing, and a common love. A developed Turkey, a great Turkey, a prosperous Turkey.

Turkey, with its strong economy and quality democracy, as a true leader admired by the rest of the world.

This is our ambition! This is the side we take! This is our politics!

Those hoping that “Turkey shall make no headway” will never make their dreams come true. Turkey will become one of the 10 greatest economies of the world. This will be made possible by the business community, tradesmen and industrialists that you, filling this room, represent. As you invest, produce, provide employment and export, Turkey will develop. God willing, we will thrive again all together.

As the famous poet said:

“Don’t think this wheel will stay on this bump. Tomorrow is certainly ours. Certainly ours.

The sun has risen, the sun has set, eternity is ours.”

We will attain our goals. We will all together turn dreams into reality.

“We will walk day and night to reach our destination”.

Tomorrow is ours, tomorrow is Turkey’s, tomorrow is our people’s.

May Allah make our hearts a heart of gold, our efforts and earnings fruitful, and the unity and solidarity of our nation everlasting.

May Allah speed us! May Allah bless us!