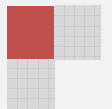


2008



**THE OPENING STATEMENT OF MR. M. RİFAT
HİSARCIKLIOĞLU, THE PRESIDENT OF THE
UNION OF CHAMBERS AND COMMODITY
EXCHANGES OF TURKEY (TOBB), AT THE 63RD
GENERAL ASSEMBLY OF TOBB**

31 May 2008





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Distinguished guests,

Ladies and Gentlemen,

I would like to extend my regards to all of you on my behalf and on behalf of the Executive Board of the Union of Chambers and Commodity Exchanges of Turkey. Welcome to the 63rd General Assembly of our Union.

Each and every General Assembly of TOBB, which serves as the platform for evaluating world and domestic developments and discussing the needs of our society, is a new chance and a new opportunity for Turkey. The Union of Chambers and Commodity Exchanges of Turkey has the authority and the honor to represent all tradesmen, industrialists, exporters, tourism operators and contractors in our country, be it local or international.

General Assembly of TOBB is a platform, which represents every city and every sector of Turkey is the mirror of our country. In other words, the Union of Chambers and Commodity Exchanges is Turkey. The things that we are going to state here are the feelings and expectations of this big community.

We have worked very hard since the economic crisis of 2001 and achieved one of the biggest economic successes of the history of our Republic. We have reached an average growth rate of 6.8 percent in the last 6 years. Hence, after a long while for the first time, we have seized the opportunity to place Turkey among the leading economies of the world.

We have improved our economy to a great extent thanks to the political stability and macro economic reforms. However, in every statement we made, we said; **“We should not loosen up”!** **“We are at the beginning of a long road”!** **“There is still a lot of work to be done”!**



We have repeatedly underlined the struggle SMEs are suffering to survive and the indispensable importance of the SMEs for the sustainability of the sound and fast economic growth. We underlined the vital importance of implementing the second-generation reforms* that would enable our companies, enterprises and shops to align with the changing global challenges. We also said that, **“Economy should be the first item of Turkey’s agenda”**.

However, it was unfortunately assumed that the success of the past would continue forever. After the year 2006, economy has been neglected and the reform process has been delayed. On the one hand, the things to be done have been ignored while, on the other hand, problems continued to increase. Exporters have become importers. Industrialists have become brokers. Tradesmen have become street peddlers. Farmers have left their lands.

As a result, while the average growth was more than 7 percent between 2002 and 2006, unfortunately it regressed down to 4.5 percent in 2007. Now, we are concerned about being even below 4 percent in 2008. Moreover, whereas our growth rate is decreasing, our rival countries did not experience any slow down. In other words, we are lagging behind in global competition.

Then what happened? I can clearly state that we are paying the cost of not taking the necessary measures on time. First, we have neglected the economy and the reforms. Then, we were stuck in the agendas, which should not have any priority. In addition to the rising economic crisis abroad has not been worse enough and we started political turmoil inside the country. Just like in the anecdote of Nasreddin Hodja, one elephant does not suffice; we are now looking for the second one.

In short, instead of heading towards becoming a giant in the world, Turkey wasted time with wrong agendas. We weakened our country with vicious conflicts; we spent our energy in vain, we spent our breath in vain. We want peace now. Because we know that only in a peaceful environment trade can develop, investments can be made and employment can be ensured.

* The report of TEPAV (Economic Policy Research Foundation of Turkey), which is a think tank of our Union, issued in August 2007 with the title of “Priorities of the Second-Generation Reform Process”, comprises comprehensive analyses and policy recommendations on macroeconomic stability, improvement of employment and strengthening the ability of the companies to access to finance (<http://www.tepav.org.tr/tur/admin/dosyabul/upload/onceklerraporu.pdf>). The comprehensive policy recommendations, which are prepared as a result of face-to-face interviews with 1300 enterprises for the improvement of investment climate and doing business, are discussed in the “Investment Climate Assessment” report. (<http://www.tepav.org.tr/tur/index.php?type=event&title=&cid=346>).



We are afraid of going back to the dark days of the 90s, if peace is not there. We are afraid of being stuck with 4 % of mediocre growth rate, if peace is not there. We are afraid of missing the opportunities, if peace is not there.

Dear friends, let me tell you something. Since the 2001 economic crisis we, as the employers, farmers, tradesmen, producers and employees, had to shoulder the cost of the crisis. In the past, we also paid from our own pockets the cost of the so-called duty damages, which were secretly collected in public banks. However those, who caused that situation, were not around when it came to pay the bill.

So, tomorrow, who will pay the cost of the conflict environment of today? Without any doubt, those giving rise to this situation will not hesitate to send the bill to the nation. We no longer want to pay the damages to be caused by irresponsible people.

I would like to underline that, yes, now we are taking sides too. We are taking the side of peace, stability, common sense, democracy and development. Just as we are against fight, conflict and any attempt to fail democracy and development. We want peace. We expect common sense, we expect Turkey's reconciliation.

As the Turkish private sector, we are saying what our priorities should be, in order to sustain growth. We transmit the demands of the private sector, the employees, and producers to the politicians. Our job is to propose the way out; the politicians' job is to produce solutions. We will mind our own business, and politicians will mind their own...

Dear friends,

We should be aware of the fact that with a mediocre growth rate of 4 percent, we can neither solve the problem of unemployment, nor can we catch up with the European countries, which are 3 times richer than us. Therefore, let us not be satisfied with a growth rate of 4 percent. We proved that we could achieve 7 percent growth rate with the reform process during the 59th Government period.

The fundamental condition of sustaining high-level growth is political and economic stability. We suffered a lot from the absence of stability in the 90s. While the producers, employees lost; usurers, loan sharks got richer. We want the producer to gain; we want the worker to gain; we want those, who spend efforts, to gain. For that reason, the priority of our Government should be to preserve the economic stability.



Today, business activities almost stopped in the domestic market, cheques-bills are not paid. But, why did this happen, why all of a sudden money has been drawn back from the market? The underlying reason is the slowing down in spending and consumption tendencies. It is the erosion of confidence among both in consumers and in the real sector.

In an environment of weakened stability, naturally the feeling of confidence decreases. If there is no confidence, there will be no investment, no production, and no consumption. High interest rate is raising the cost of production and investment day by day, economic activities are slowing down, and the increasing credit card debts are putting the future of our citizens in mortgage.

If we are complaining about high interest rates, the real reason behind that is the distortion of stability. Softening in the fiscal discipline is the biggest threat in front of economic stability. Fiscal discipline, which was maintained quite successfully until 2006 and which we appreciated, is unfortunately distorted in 2007. The budget deficit rose to 3 folds*.

Let us say that we had the elections in 2007 and it is normal to have a slight increase in the expenditures. But now, in 2008, we have to reestablish the fiscal discipline and decrease the budget deficit not only proportionally, but also in nominal terms. We have to target a balanced budget. The big increase in primary expenditures of the public sector is threatening both the fight against inflation and financial stability.

Although we have experienced the disastrous results of the 90s, we are once again surprised by and worried about the attempts to form funds that will enable extra-budgetary expenditures. The mistakes of the past should be our best guide about the things not to do.

On the other hand, a crucial step has been taken to improve the social security system. By taking this opportunity, we would like to thank our government who concluded this regulation in a determinant manner.

If Turkey wants to be among the leading economies of the world, she has to be a country where there are rules, where the rules apply equally to everyone and where changing the rules is subject to rules.

* Financial Monitoring Reports issued on a monthly basis by TEPAV present the public financial balances to the public in a simple and understandable manner (<http://www.tepav.org.tr/tur/index.php?type=maliizleme&title=S>).



The first area that we need to regulate is fiscal discipline. The second one is tax audit. We want to see some steps taken to make tax audits subject to rules, instead of being practices that are beyond their purpose.

In an environment of increasing energy prices, we want to see efforts to be spent in order to deregulate the energy market without any further delay.

Another condition for economic stability is, without any doubt, fight against inflation. With a high rate of inflation, growth can be just virtual and temporary. We have experienced this in the 90s. I would like to emphasize that if we want price stability, we should safeguard the independence and reputation of the Central Bank.

On the other hand, even if the economy grows, the fruitfulness, wealth of the growth cannot be felt unless employment is ensured. Here we are! As we can see, the number of those who lose their hopes to find a job is increasing. The women at the labor market are at alarming level. We can see that the majority of the unemployed are young people and they are hopeless.

For that reason, the attempts made by our Government to relieve the financial burdens on employment and to amend the legislation punishing employment are appropriate and we support that. Now, in parallel to these steps, we should immediately start the vocational training reform and training programs for the unemployed.

We visit each and every province of Anatolia and see that cafés are full of unemployed people, but our industrialists cannot find people to employ. Therefore, the problem is not only unemployment, but also lack of skilled people. The skills that we need are not taught at our schools; and the skills that are taught at school are not of use in our enterprises.

The high unemployment rate among vocational high school and university graduates, despite the need for qualified labor by our industrialists, indicates the distance between our education system and the market needs. We have to enhance vocational education in order to eliminate this discrepancy. The more young people use computers, the more young people speak foreign languages; the less our unemployment rate will be and the more competitiveness our enterprises will have.



The Higher Education Board should determine the university quotas according to the labor force demands. Studies on informatics technologies, bio-technology, nano-technology, satellite-space technologies, medication and gene engineering, organic agriculture, smart textile, design engineering, renewable energy and environment technologies should be increased at universities. We declare once more that the biggest problem of our country today is unemployment and the solution is education.

Dear Friends,

So far, decisions regarding the private sector have been taken on the basis of short-term projections. Now, we have to change our bad habits and we have to develop a long-term industrial strategy*. We need to have a strategy so that our industrialists will not be drifted away in the rough sea like a boat without a rudder; let us be the rudder of our industry.

You can see that incentives without any long term perspective given for years led to investments that cannot compete in the global arena. If we had a sound industrial policy, we would have made our investments in highly competitive sectors and we wouldn't be suffering from these distresses today.

We are very happy to say that this year; a specialized commission has been established by the initiative of our Prime Minister aiming at developing the industrial policy that the industry sector needs in cooperation of public and private sectors. The Ministry of Industry and Trade started an important project to develop a long-term industrial strategy. We would like to thank Mr. Zafer Çağlayan, who comes from our community and who very well knows about our problems, for taking this historical step.

Our expectation is to have the private sector policies determined not on the basis of overnight decisions, but on long-term strategies. This is also the way to solve the current account deficit problem.

* The report titled "An Industrial Policy for Competitiveness of Turkey" issued by the State Planning Organization and TEPAV in August 2007 comprises a framework regarding the steps to be taken by Turkey in the field of industrial policy. (http://www.tepav.org.tr/tur/admin/dosyabul/upload/sanayi_politikasi_cercevesi.pdf)



The enforcement of the R&D Law and restructuring TUBITAK (The Scientific and Technological Research Council of Turkey) in a more effective way, strengthening its ties with the private sector, are historical steps taken by our Government in terms of encouraging innovative efforts of our companies. We expect that the Draft Commercial Code, which will enable the harmonization of our companies with the market economy, will be enacted this year without any delay.

In addition, we should bear in our minds that we need to have a new mentality and well-qualified staff in public administration in order to design, manage and implement these reforms. Public administration reform, which is left hanging in the air for long years, should be completed and appointments should be done on merit basis; managers working “in line with the principles” should be appointed, instead of those who work “in line with the procedural”. We must implement the principle of “giving the job to the well-qualified”.

For an effective public administration free of corruption allegations; independence, transparency and accountability should be guaranteed in regulatory and supervisory institutions*. Rumors should not play the guiding role in state administration. There should be attempt for a new regulation resulting with restriction of the field of activity of the Public Procurement Authority, which plays a significant role in the fight against corruption and waste of public resources.

Distinguished Businesswomen and Businessmen,

Of course there are some responsibilities to be assumed not only by the public administration, but also by ourselves, as the private sector. Tax relief that we insistently followed for long years has been enacted thanks to the positive and courageous approach of our government. Therefore, we need to work more to relieve the problem of unregistered economy so that decreased level of unregistered economy can make new tax relives possible.

As the opinion leaders, we should absolutely communicate the following simple but sad fact. In order to survive in global competition, investment and growth are vital. In order to invest, companies need funding. However, for an unregistered company, it will no longer be possible to

* The Anti-Corruption Conference organized every year by TEPAV contributes to the policy design process in the fight against corruption in our country (<http://www.tepav.org.tr/tur/index.php?type=event&title=Y&cid=351>).



have an access to banks or similar funding resources. Those who are unregistered are obliged to stay small. And those who are small can only be subcontractors.

Our country is full of SMEs. In global competition, however, it is no longer good to be small. Now, we would like to see companies doing international business emerging among our SMEs. In order to reach this end, instead of imitating our neighbors in business life, we need to act by thinking how we could create a new value for the consumer.

On the other hand, being raised with the words; “Give their rights to workers, before their sweat dries”, we are responsible to present the same diligence to our workers and employees.

As you know, in the previous period, we established the Women Entrepreneurs Board at the national level. And now, we are forming Provincial Women Entrepreneurs Boards in our provinces. I expect you to financially and spiritually support the activities of these boards, to welcome the heads of the boards in your protocol and to prioritize our women entrepreneurs. It is a must to include and represent women in the economic life for economic and social enhancement.

I also expect you to be the pioneers of change and guardians of accountability culture. Unfortunately, as people, who misinterpret individualism as egoism, are increasing in number; the number of “individuals”, who want all the benefit for himself, but who does not assume responsibility for any negative event, is increasing as well. No one is doing “self-criticism”, no one is feeling responsible. As the great author Tolstoy says; **“Everyone thinks of changing the world, but no one thinks of changing himself”**.

Distinguished Guests,

As you know, **“Justice is the essence of domain”**. Therefore, we are obliged to keep the balance in the scales of justice. We have to expect and demand independence and impartiality of the judiciary.



No individual or institution can be exempted from criticism. Because no one can renew, nor improve himself in the absence of criticism; but only on the condition that criticism does not lead to defamation. In a modern democracy, no institution can assume a mission outside the scope of the duties assigned to it by the Constitution and laws.

I would like to particularly emphasize that a system, which can be protected beyond the scope of law and justice, is not worth protecting. What did the great author, Emile Zola say? “The honor of the republic is its justice!”

Dear Friends,

The level of development of a country cannot be regarded separately from her level of democracy. Therefore, Turkey should be a functioning, governing, auditable and accountable, a first class democracy.

The first step to ensure a functioning democracy is to spread the politics to the grassroots level. And the duty of politics is to listen to the voice of the grassroots, to listen to them, to be the voice of them. If we want to have a well-established democracy in our country, we must renew the Law on Political Parties and the Law on Election System. The lines between the citizens and deputies should be strengthened.

On the other hand, since 2002, we keep stating that the current Constitution does not suffice. In the last General Assembly we explained that Turkey needed a new Constitution. We are unfortunately still at the same point today.

Our Constitution should safeguard the democratic, secular, social state and rule of law, which are the cement of our society. Our Constitution should guarantee the three characteristics of a modern state, namely; freedom of expression, freedom of religion and conscience, and freedom of entrepreneurship. Our Constitution should be a social contract, which comprises a democratic balancing mechanism and which is integrated with the values of the society.



Moreover, we should keep in our minds that the renewal process of the Constitution is at least as important as its content. The purpose should be to altogether write our Constitution. For this very reason, we started a participatory process for a new Constitution by means of the Constitution Platform that we established by gathering the representatives of the civil society organizations representing every segment of the society in Turkey.*

In the Constitution Platform, 83 Non-Governmental Organizations have agreed on what kind of a Constitution, what kind of a political system Turkey needs. As the businesswomen, businessmen, workers, farmers, civil servants, tradesmen; while we all seem to have different opinions, different interests and different demands; we all share the same passion. That passion is the passion for a Turkey established on the basic principles that I stated before.

My Dear Friends,

This society has such a deep passion for its country, its nation, its land... When it comes to Turkey's interest, each and every individual of our society aims at the same target hand in hand, arm in arm, shoulder to shoulder, as a single fist.

The only agenda of our nation today is to produce more, to work more and to raise Turkey to the leading economies of the world. This nation expects the consensus that they present, from the politicians as well. This nation wants the politics to discuss the real agenda of the society, not the agenda of the politics. This nation wants a political structure ensuring peace, not conflicts. It is the duty of the politics to provide each and every individual of this beloved nation with food, shelter and happiness!

Distinguished Guests,

As you are well aware, the problem of terrorism has exacerbated again in the last one year. Turkish Armed Forces once again reacts against the terrorist organization, as they deserved, by the successful operations that they performed to the North of Iraq under the most difficult weather conditions.

* Information about and the conclusion report of the Constitution Platform are available at <http://www.anayasaplatformu.net/>



Our brave army has always been the greatest proud of our nation and it has always protected our state in the geography that we live in. By taking this opportunity we would like to express our gratitude to our soldiers, police, gendarmerie, who strive to ensure a peaceful and secure life for us. We wish the mercy of God for our martyrs and we extend our gratitude to our veterans.

While our security forces give no respite to the bandits, we have to provide jobs and food to this region. We should support the fight against terrorism by fighting against unemployment, poverty and hunger. Because, the well-being of one depends on the well-being of others. Now it is time to take steps to ensure labor force training in the region, to support particularly women entrepreneurship and, thereby, to decrease unemployment.

The initiative taken by our Government to conclude the investments in GAP (Southeastern Anatolia Project) has been an appropriate step. Within this framework, our duty is to perform concrete projects that will reveal the economic potential of the region. Eastern and Southeastern Anatolia are full of undiscovered opportunities. We are ready to shoulder the responsibility in seizing these opportunities for Turkey.

Dear Friends,

In recent years, one of the leading problems threatening our world has been global warming and climate change, and unfortunately the reason for these problems is us, human beings. I describe the situation of global warming as follows; so far, we have been consuming the natural life; but now, the nature is consuming our lives.

As industrialists, we have to be more sensitive about environment, we need to save energy and use it in an efficient way. We must attach utmost importance to the conservation and efficient use of water resources in our country, particularly in the GAP region.



We expect particularly our government and local governments to be more sensitive about this issue. We are greatly concerned about the concrete structures built in the smallest green area, let alone empty areas, and buildings in water basins. For that reason, our slogan should be **“Sustaining development together with social responsibility”**.

On the other hand, globally increasing food prices in recent months reminded us the importance of agriculture. So far, our farmers have been told; **“produce no matter what you produce”**, **“produce no matter how you produce”**.

We deceived our farmers by leading them to inefficient, uncompetitive production. We deceived our citizens by obliging them to buy expensive food products. And finally, we deceived ourselves saying that we are a self-sufficient country in agriculture. From now on, we expect to follow agricultural policies that will enable us to produce the best in the world in some particular products, and to increase our productivity and competitiveness in agriculture.

Distinguished Guests,

Turkey, while concluding reforms inside the country, has to follow a policy that is in line with her economic power and with the responsibility endowed by history. We should never forget that Turkey is a unique country in this region with her economy, her institutions, democracy and cultural background. Turkey is a country not envying others, but envied by everyone in the region.

The deceased Turgut Özal started a mentality revolution in our private sector by prioritizing trade issues in our contacts with foreign countries, instead of looking for just borrowing money. Thanks God, the exports that we do in one year 30 years ago can be done in one week today.

Similarly, thanks to this vision, our private sector is showing off both in our region and throughout the whole world by means of not only selling goods, but also making investments.*

* Under the initiative of TOBB, an industrial zone is being built in the Palestine territories within the framework of Ankara Forum, which is developed in order to contribute to the Palestine issue and to provide Turkish investors with new opportunities (<http://www.tepav.org.tr/tur/index.php?type=ankaraforum&title=>). Similar Projects are aimed at within the scope of Istanbul Forum bringing Pakistan and Afghanistan together (<http://www.tepav.org.tr/tur/index.php?type=if&title=D>).



As the sun is once again rising in the east, Turkey is the biggest economy in the region expanding from China to Italy. Turkey is at the center of the Silk Road, which unites civilizations. She is at the crossroads of the connections that will ensure energy supply safety of Europe.

And most importantly, with these characteristics, Turkey is a country that can turn Europe into the global force of the 21st century. Everyone should accept that Europe needs Turkey just like Turkey needs Europe. We should always keep the membership of the European Union target in our minds and we should continue with the reforms.

In this almost 45 year-period, we request the European Union countries to keep their promises that they made to Turkey, to act in accordance with the spirit and essence of the agreements concluded and to avoid statements and behaviors that may lead to suspicions about the membership of our country.

Universal norms and values adopted by the European Union will be complementary to the fundamental principles of our Republic and participatory democracy. For that reason, may be for the first time in Turkey, as the civil society and professional organizations representing almost the whole society, we support the European Union project.* I believe that the target of reaching the level of contemporary civilizations, which was set by **Mustafa Kemal Atatürk**, will have been achieved by the European Union membership.

Distinguished Politicians,

As the global power balance is in a reformation period, Turkey, being in the ascendancy, is holding a historical opportunity. Let me remind you that opportunities cannot be compensated later on. Now it is time to talk about jobs, to talk about food, setting aside the vicious political conflicts. Now it is time to focus on the solutions, rather than problems. Now it is time to discuss the agenda of our nation.

* TOBB is continuing its efforts to represent the business world in the European Union process by means of Chamber Development Programs and Turkey – EU civil society dialogue activities.
(<http://www.tobb.org.tr/abm/projeler.php>)



All the institutions should sincerely adopt democracy, should not be involved in a superiority contest with each other. One should respect all lifestyles and in order to have an understanding of a common life, we should give up the idea of “the other” while identifying ourselves.

Turkey should be the homeland of business, merit, responsibility and togetherness. Turkey should be a country prioritizing work ethics, and a country where, working and producing are the most appreciated values. Turkey should be a country, where each and every citizen can have a better life from his/her parents by hard work and merit system, and where one’s children have the possibility of living a better life than oneself.

There is only one way to make all of these happen, which is to establish a peaceful political and social environment where we can carry out the structural reforms that will solve all of our problems. We should never forget that growth and development can only be achieved in a peaceful environment.

Distinguished and Eminent Entrepreneurs,

You are the opinion leaders of this society! You are the leaders of change and transformation process of Turkey! With your products and global companies, you are the Turkish entrepreneurs, who keep our glorious flag flying in all corners of the world!

You do not know what is to be introvert, you do not give credit to conspiracy theories and you are not afraid of change! You are the ones who spend efforts, who produce, who sacrifice for your country. This big community that you compose is the greatest guarantee of our Republic, democracy and development in this territory.

This country suffered a lot from those who regarded their siblings as *others*. No one will succeed in bringing us back to those dark days. Today is the day to be in unity, to be united, to be together. Today is the day when discrepancies will bring pain and unity will bring grace. If we had fights in the past, today is the day to leave those fights behind.



Today is the first day of building our future. Today is the day that we will grant Turkey, this beautiful country, with many achievements in a peaceful environment with all our love that comes from the depths of our hearts. That day is today, my dear friends.

So, within this framework, **I have big dreams for Turkey. I want to see a Turkey;**

- **That is among the biggest 10 economies of the world,**
- **That is among the 100 biggest companies of the world with her global national companies, that is the world leader in at least three sectors and that has export levels reaching 500 billion dollars,**
- **That makes innovations, produces science and one fourth of exports of which is composed of technology products,**
- **That is taken as a role model by the whole world with her economy, first class democracy, historical background and cultural richness,**
- **That leads other nations towards the goals of Great Atatürk,**
- **That has a position in the world that matches with her position in history...**

All your dreams will come true, if you have the courage to follow them. We have the courage to follow our dreams. **We are here to serve this country. We are passionate about this country.**

Let us promise here today to work altogether for this beautiful Turkey in order to make our dreams come true without being afraid of change, without being put out of the game, without being distracted from our target, without getting tired and without giving up. **I wish you good luck. May God help us all!**