

**Mr. Minister,
Mr. President,
Distinguished Members of the Board,
Esteemed Honorary Members of the Board,
Distinguished Guests and
Valuable Members of the Press,**

Before I share with you my views here at our November Board Meeting, I would like to extend my respects and cordial greetings to all of you on my own behalf and on behalf of our Board of Directors.

Our Minister of Economy Mr. Nihat Zeybekci is here attending this month's Board meeting on the subject of "The Export-focused Economy and the Future of our Industry in response to the New Industrial Movement." I thank you, Mr. Minister, for being with us today and welcome you.

Distinguished President and Members of the Board,

Before I share my thoughts with you about the main topic of our meeting, I would like to touch briefly upon some current events in our country and the world.

In the aftermath of the global economic crisis, the world economy is heading toward another phase. While economic growth in the US and the UK is gaining speed, there is stagnation in the European Union and Japan and the economies of the developing countries are slowing down.

On the other hand, the US Federal Reserve's role as a determining force in monetary policies is increasing. With monetary expansion coming to an end, and with the plan to

increase interest rates in 2015, it is believed that the dollar will be gaining strength against all other currencies. In 2015 and some years beyond, it is expected that we will be entering a climate in the world economy in which the dollar will be much stronger. It is inevitable that all of the institutions of the economy in Turkey will be acting accordingly.

Geopolitical risks in the region of the world in which Turkey lies increased unexpectedly in 2014 and meanwhile, the conflict between Ukraine and Russia brought Russian relations with the west to its most stressful point since after the Cold War. The sanctions put into force have already started to have an impact on the European Union, particularly Russia and Germany.

The attempt to form a wide coalition to fight ISIL in Iraq and Syria and the chance that the process may draw out longer than expected are factors to watch very closely.

It is exactly because of this that Turkey is among the group of countries whose trade is very much influenced by present geopolitical risks.

In the period of the Cold War, which started in the aftermath of the huge destruction caused by the Second World War and continued until 1989, a system of security based on military power was always at the forefront. Today, however, we are witness to the fact that economic power is a rising value that has gained importance and takes its place beside the potential of military power.

While calling attention to this change, it must also be said that in the period of the Cold War, the explanation for events was always geopolitical whereas today's world cannot be explained only by geopolitics but with the concept of the geoeconomy, a factor that has become an important force in its own right.

The geoeconomy may be described as the efforts to use political powers within the framework of a mixture of competition and cooperation for economic purposes. When we look at the effect of the geoeconomy on the economic picture, we see the following:

We can see that the "Transatlantic Trade and Investment Partnership" between the EU and the US, expected to be the largest free trade platform in the world, will at the same time be the most comprehensive free trade agreement ever drawn up.

The goal of the agreement is to draw up regulations so that the two economies--one responsible for 40 percent of the global economy and the other representing one-third of global trade--can increase their trade of goods and services, achieve standard harmonization, and eliminate the obstacles standing in the way of investment and trade.

From another perspective, the negotiations underway for the Transpacific Partnership under the leadership of the US and the Asia-Pacific Free Trade Zone initiative under the leadership of China indicate that a consensus has been reached and that Asia is ready to form strong cooperative ties to promote trade. In the event that this free trade zone is successful, I would like to stress that the axis of global trade will be substantially shifting to Asia.

Mr. Minister,

While calling your attention to the new developments related to the world economy and noting that new economic road maps are being drawn up, **I would like to point out here that we heartily support the desire** to make Turkey one of the countries that will be involved in designing the new order.

We have no doubt that our country has the potential to take part in implementing this design. The most concrete expression of this belief is not only the efforts of our Economy Ministry to raise the number of our international Trade Consultancies to 450 but also the fact that Turkey will be president of the G-20 for the 2015 period.

The global task that Turkey will thus be taking on is of great importance particularly from the perspective of the developing countries. As new economic road maps are drawn up today, these economic outlines should not only be defending the interests of the stronger countries. We have every reason to believe that in its role in the G-20, Turkey will lead the way in setting forth an approach of protecting the interests of the developing countries.

Distinguished President and Members of the Board,

A little while ago, I said that the economy was gaining more weight in the approach to changing balances of security. In this context, I would like to draw attention to another important point and that is that with the development of the geoeconomy, energy is becoming the fundamental building block of the economy and also the most important topic of scrutiny with respect to national and international interests.

As energy gains so much importance in today's world economy, it is also causing a major power struggle on a global scale in the competition for energy resources and energy transport routes.

In the context of energy and the economy, as can be seen in the examples of Ukraine and Iraq, we are in a period in which Turkey is surrounded by crisis. While energy continues to gain vital importance, we are extremely happy to see that Turkey has formulated a global and regional vision for itself that is accompanied by its own energy politics.

In the words of our Prime Minister, Mr. Ahmet Davutoğlu, "Instead of seeing energy as a vehicle of war or conflict, we need to see it as a tool for the ideal of human development and a vehicle for creating more prosperity and a better future for mankind." **Turkey's energy politics not only constitutes an important vision for our own country, but also for the world and for peace in the region.**

In this context, besides providing a secure supply of energy, keeping up the uninterrupted flow of energy and increasing the diversity of resources are of vital importance for Turkey's economy and our industry.

Distinguished Minister, Mr. President and Members of the Board,

After sharing my thoughts with you about certain current topics in Turkey and in the world, I would now like to give you my thoughts and views on the main subject of our meeting.

In past years, we have been witness to significant achievements in Turkey in terms of increases in the national income and in exports. We owe this achievement to favorable conditions on an international level but also to the fact that Turkey has been able to go beyond its classic export markets to explore and claim its presence in many new markets. On the other hand, if we are to carry this achievement into the future, we still have a long way to go.

As industrialists, we are very happy to see that everyone, and especially the government, has become aware of the critical role that industry will play on this long road ahead.

Today, everyone finally accepts that the industrial sector is the fundamental element in stable, sustainable and strong growth. Even the developed countries are now turning their attention once again to the industrial sector. This is because it is impossible to sustain a strong economy in an environment where there is no production.

The way to attain healthy economic development is by "Total Development," which was the main theme of our 12th Industrial Congress held in May. **The model of total development that we recommend does not only entail economic growth but also the entire spectrum of humanitarian and social development, democratization, governance and sustainability.**

We can see that the new government program and the new structural reform programs have adopted an integrated approach that is similar to what we recommend with the total development model. As industrialists, I would like to express how much we take great satisfaction from this.

Distinguished Minister, Mr. President and Members of the Board,

In recent years, Turkey has had to compete with an increasing number of actors on the international scene. Besides rising Asian economies such as China, India, Indonesia and Thailand, a series of Eastern European countries have become production bases for the international industrial conglomerates of the west and are therefore major competitors of Turkey in investments, exports and trade.

On the other hand, in the face of tougher global competitive conditions, competitive criteria for countries have strayed away from traditional trends and are now more concentrated on know-how, technology and innovation. In this new period, the relationship between competition in the industrial sector and macroeconomic stability has strengthened.

We are in such a period that we need to focus much more on "composite exports" in order to protect and increase our share in world markets. To sustain an export-focused growth model, it is imperative that we increase our high-tech product exports. This naturally brings with it the issue of a technological infrastructure, R&D capacity, qualified human resources, the cooperation between universities and industry, and ensuring that all of these elements attain a stronger and more dynamic character.

At this point, I would like to mention a recent development that has raised the hopes of industrialists such as us. We are very happy that the Priority Transformation Programs, as yet only partially announced by the government, that were

drawn up with the major contribution of our Ministry of Economy encompass important commitments that meet the expectations of the industry and relate directly to the future of the sector.

It can be seen that programs drawn up after identifying the priority issues in the economy will reduce the dependency on imports and focus on technological development and commercialization, energy production and energy efficiency.

The success of these programs will provide the opportunity for Turkey's economy to endure internal and external shocks that often plague high-income economies, creating an attractive production economy for investors.

As the Istanbul Chamber of Industry, we believe that the success of the programs and achieving improvements with respect to expected outcomes depend on the following important points:

Having a clearer and more comprehensive outline for plans of action,

Starting implementation as soon as possible,

Carrying out the process at maximum transparency,

Ensuring the efficient operation of control mechanisms and

Enlisting maximum cooperation and contribution from the business community in the implementation.

It will be this cooperative effort that will contribute to deriving the most efficient and effective results from the program.

In short, we are at the threshold of a critical period for our industry and for our economy. Mr. Minister, I would like to stress that your experience and knowledge is very valuable to us, not only because of your identity as an industrialist but also because you have come from our own ranks and for that reason have had close dialogues with the private sector. I would like you to know that we are very excited and interested about hearing your thoughts today.

Mr. Minister,

On behalf of the Istanbul Chamber of Industry, I would now like to talk about some of the issues that our industry and industrialists face that have to do with matters within the jurisdiction of your Ministry. I will share with you our recommendations for solutions under nine headings.

First of all, I would like to talk about the Customs Union and the Free Trade Treaty that has developed beyond our control and about its possible adverse effects.

After we joined the Customs Union in 1996, we continued to experience problems that arose from our inability to complete the process of full membership in the European Union. At a period where the Free Trade Treaty is gathering momentum, Turkey's situation is no longer sustainable

because of its issue with the European Union and the Customs Union it has been a part of for 18 years.

The process that Turkey is in at this time should no longer be treated with short-term fervor but discussed transparently with all related stakeholders. When we say that the issue should be put on the table concretely and objectively, we mean to say that the matter should be analyzed with shared wisdom and common sense and a new road map should be drawn up.

We believe that it is time for 2015 to be the year for the customs union. Accordingly, the Customs Union should be revised in a way that will eliminate the adverse effects of the Free Trade Treaty and so that its scope is expanded to meet changing conditions of trade.

At this point, in the context of the Customs Union, I would like to call your attention to the fact that the Transatlantic Trade and Investment Partnership between the US and the European Union has gained momentum.

If Turkey remains outside of this treaty, it will experience problems in its trade with these two giant blocs. **For that reason, the necessary measures should be taken immediately to prevent a swerve in trade and the further deterioration of bilateral trade relations that would lead to billions of dollars of loss for Turkey annually.**

At such a time, we find it very important that our Ministry of Economy sign and put into force a Free Trade Treaty with South Korea, a Preferential Trade Treaty with Iran, and an Economic Partnership Treaty with Japan. It is also of vital importance that our Ministry complete discussions for a Free Trade Treaty with Malaysia, continue the same discussions with Singapore, and be in close contact with Russia to create a Eurasian Customs Union.

We believe it will be useful for the private sector to be a part of the FTT discussions that are being conducted by our Ministry of Economy and that in particular, the impact analysis and other studies of the effects of FTT's on our foreign trade are kept open to the views and contributions of the private sector. As the Istanbul Chamber of Industry, I would like to make it clear that we will be ready to make any contribution we can to this process.

The second topic I wish to talk about is the matter of exports. Export targets, which form the basis of the country's 2023 goals, are constantly being revised and brought down through medium-term programs. The exports target in the exports strategy document for 2018 was 286 billion dollars but in the 10th Five-Year Development Plan, the exports target of 275 billion was brought down to 220 billion dollars with a Medium Term Program.

The actual increase in exports over 2008-2013 was 20 billion dollars, representing a figure that was both below the targets of the exports strategy document and also much behind the

exports performance of many other countries in the same period.

In the light of the developments that I have mentioned and when all global economic conditions and the status of our markets are considered, it can be seen that exports need to be supported much more comprehensively. Besides the fact that company performances and the sustainability factor are taken into account in export incentives, we also see that the ministry's support of exports is very poorly reflected in our industrial goods. We believe that it will be beneficial if the share of government support could be increased to 1 percent of total exports so that the industrial sector could receive more of a share.

Again in this context, more will fall upon the shoulders of Turkish Eximbank, which has been supporting successful applications of exporters recently, particularly with their concept of management. It is of vital importance to our economy and our industrial sector that Turkish Eximbank continues to increase the medium-term loans it extends to support the export of products of high added value, providing manageable interest rates and convenient collateral terms.

As a third topic I want to say that, as we always stress, financial stability is our industry's most important value. I would especially like to emphasize in the light of this financial stability, our need for a predictable and competitive exchange rate. In this context, I would like to stress as well that as a result of the fall in oil and commodity prices, the

expectations of improvement in the current accounts deficit is a promising development in terms of our economy. However, we also believe that for the sake of our economy and our industry, this process must be managed with an approach that does not cause a TL overvaluation in the short term.

Mr. Minister,

Our fourth heading is the issue of incentives: In an effort to keep up with developed countries, Turkey has targeted a growth model based on production and exports. This type of growth model can only be attained by a transition into an industrial structure of more concentrated know-how and technology where the level of added value is high. For this reason, Turkish industry needs to turn its face toward medium- and technology sectors with high added value. This transition will be possible only with a new system of incentives that is based on a new understanding.

Besides the present regional and sectoral incentives, an incentive system based on high-tech projects that produce high added value should be adopted. **We know that our government and the Ministry of Economy have been working on this. Mr. Minister, we hope you will be sharing some good tidings with us today in this respect.**

And on the same subject, I would like to underline the importance of foreign capital. I would like to mention in particular that we place great importance on bringing in long term or permanent foreign capital that will produce hi-tech products and create awareness. We believe that public

procurement policies in this area will serve not only to provide incentive for foreign capital, but also to create an opportunity for local capital to flourish.

As my fifth topic, I would like to mention the issue of the KKDF (Resource Utilization Support Fund), which has been reducing our industrialist's competitive power.

To have our industrialists' scarce capital resources flow into KKDF is unfair. Having credit limits being used not for production and investment but for KKDF is not making anyone happy. To protect and increase the competitive power of our industry, KKDF should be completely removed from imports, consumer products should be kept outside of its scope, KKDF should be completely abolished from the import of raw materials and investment goods mentioned in the capacity reports, and industrialists should be given the chance to import without paying KKDF on the basis of their capacity documents.

The sixth heading I will talk about here is the matter of Development Banking.

Development banking should take on the necessary and important role of ensuring that our industry sustains its growth by producing. It would be a big mistake to assume that successful industrialization stories in developed countries only came about because of private sector banking. In every country that has grown by industrializing, we will always see the developmental, all-encompassing and

supporting perspective of the public sector. This is the job of Development Banking.

Turkey must under all circumstances create a model of development banking that will support its industry. The Turkish Development Bank must return to its fundamental duty, the task for which it was initially founded.

As the seventh heading, I wish to speak about the matter of the investor tying his capital down to properties and buildings.

Just as Emlak Konut (Real Estate Housing) is an enterprise devoted to establishing housing on state property, the same model can be initiated for the industrialist. An enterprise, which we can name for example, Emlak Sanayi (Real Estate Industry), may allot suitable state properties to the private sector on a project basis. The private sector can pay the monthly or yearly rent of these pieces of real estate to Real Estate Industry over a period of 49 years. Forty-nine years later, the property can be transferred to the company's assets under certain determined conditions. The most beneficial part of this is that the property will be guaranteed to serve the factory for a period of 49 years. This way, the area will no longer be a place that the factory owner can use for a housing project in the first 10 years because of the profit it promises. We believe it will be beneficial not to waste any time in putting together the necessary regulations so that investors do not tie down their capital to land and buildings.

The eighth heading I wish to talk about is the subject of providing employment incentives for industry.

In this last period, many of the masses that will be entering the work force do not consider the industrial sector a preferred working place. **The essence of the problem of employment in industry is: Not being able to draw enough of the work force into industry!** This is an important risk that needs a solution, both in terms of the industry and in terms of the employment market. The key role that industry plays in employment should never be forgotten. Because of this, Turkey needs to focus on the distribution of employment in the sectors and take measures to stop the trend of drawing away from industry, and make industry an attractive area to work in.

As our ninth and last topic, I would like to mention the protective measures that are such an important political vehicle in terms of international trade.

It is with great pleasure that we observe the protective measures that our Ministry has implemented with regard to the import of industrial goods for consumption in particular. However, we can see that additional burdens are placed on the import of some of the basic items of input used as intermediate goods in industry and that this constitutes a major competitive disadvantage for those in industry that use these intermediate goods.

Now I would like to use this framework to call your attention to two issues faced by steel and plastic producers: In 2009, to

protect our country's steel producers from the adverse impact of the global crisis that had started in the world, the customs taxes applied to the import of steel products had been raised. This precaution has had a negative impact on the competitive power of different export-gearred sectors that use flat and stainless steel products as input. Although the capacity to produce flat products in Turkey has increased in recent years due to the activation of new facilities, a large part of the domestic demand is still being met through imports. To eliminate the raw material shortages that our sectors face, we believe the customs taxes that are now being applied to flat steel products should be abolished.

We can see that the protective measures adopted for some products in the import of plastic raw materials have added costs to the plastic industry using these raw materials, thus having an adverse effect on the competitive power of our industry. We feel that it will be beneficial to lift the protective measures in the sector.

Distinguished Minister, Mr. President and Esteemed Members of the Board,

After talking to you about the problems that our industry and our industrialists are experiencing and giving you an idea about our expectations regarding the solutions to these issues, I would now like to tell you briefly about some of the activities and operations of the Chamber.

As I mentioned to you here last month, we have planned some meetings to bring together our Minister of Science, Industry and Technology, Mr. Fikri Işık, and you, the esteemed members of our Board, to discuss the problems of the industry and possible solutions. We will be holding our first meeting on Saturday evening.

The G20 Leaders' Summit hosted in Australia's city of Brisbane, had a different meaning for Turkey this year. After December 1, 2014, Turkey will be chairing the G20 for this period. As a member of the B20 Turkey Executive Board, the G20 Summit meeting in Australia that I attended with our Prime Minister Mr. Ahmet Davutoğlu, Deputy Prime Minister Mr. Ali Babacan and Finance Minister Mr Mehmet Şimşek showed me that Turkey is being closely watched by both developing and developed countries.

We also witnessed another very important development at the Summit in Australia. Mr. Rifat Hisarcıklıoğlu, President of the Union of Chambers and Commodity Exchanges of Turkey , took over as President of B20, the business branch of the G20. The activities of the B20 will spread out over the year and bring together many important leaders of the business world in Turkey. I have every belief that the activities will be of great benefit to our business community and I congratulate the President of the Union of Chambers and Commodity Exchanges of Turkey, Mr. Rifat Hisarcıklıoğlu, on behalf of the Istanbul Chamber of Industry.

Our environment and energy awards will be distributed to their new winners at an awards ceremony that will take place on December 5. The ceremony will be held at İSOV Akatlar, in the Professional Training Complex. We invite all of you to attend.

We are planning to bring all of our esteemed members and their spouses together at a Sunday brunch on December 7 to enhance our social interaction and I want to take this opportunity to extend a cordial invitation to all of you and your spouses to join us for this event.

Part of our intensive activities entails greeting the many visitors that come to our Chamber. Since you can follow these up on our webpages, I won't go into the details of these visits right now.

I will mention however one of the visits that moved us deeply--this was the visit to our Chamber of the Chairman of the Board of the Soma Chamber of Trade and Industry, Mr. Hakan Işık, and his colleagues. They presented us with a very expressive maquette for being at their side during the mining disaster they suffered in May. The maquette has the names of the miners who lost their lives inscribed on it and as I inform you now that it is on display in our foyer, I wish to say that the memory of our beloved miners will be cherished forever.

Distinguished Minister, Mr. President, Esteemed Members of the Board, and Valued Guests,

We at the Istanbul Chamber of Industry have never approached issues with expectations that all solutions will be provided by the state; we have never complained in times of hardship.

As one of Turkey's oldest and strongest civil organizations, the Istanbul Chamber of Industry has always taken on the responsibility it carries in the light of its experience and in accordance with business ethics. It has always placed great importance on facing challenges constructively and being an active part of solutions.

In looking for solutions, we have always focused on real, sustainable, permanent solutions and measures, and this is what we will always do. With this understanding, we have always turned the mirror on ourselves as well as on the industrialist, scrutinizing ourselves through the filter of self-criticism.

Istanbul is the Turkish economy's life-blood with its high level of exports, the amount of taxes it pays, its employment capacity, and the Istanbul Chamber of Industry is one of the strongest representatives of this economic powerhouse.

Despite the problems, our unwavering passion for production continues as in the past, as we work to create even more economic value for Turkey.

As I end my words here in this perspective and with this determination, I thank our honorable Minister and our distinguished guests once again and extend to all of you, on

my own behalf and on behalf of our Board of Directors, my most cordial good wishes and respects.