

**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 February 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.

We decided that the topic of this month's meeting would be "The Return of the Production Economy and the Importance of Istanbul and Industrial Strategies in the light of Priority Transformation Projects."

We will discuss this important matter with our two esteemed guests, Professor Murat Yülek, a Faculty Member at Istanbul Commerce University and also our consultant, and Associate Professor Melih Bulu, a faculty member at Istanbul City University.

I thank both of our guests for being with us at this month's meeting. Welcome.

**Distinguished President and Members of the Board,**

Production economies have recently started to occupy a priority place in discussions around the world. The topic of production economies has simultaneously become the order of the day in Turkey too and the "Priority Transformation

Projects" that were recently disclosed by our government are under discussion at this time.

These topics are of great interest to us and it is imperative that all of us spend some time on thinking about them. When I say it is imperative, I also want to share with you my opinion that we should make more effort to turn our attention to the topics of Istanbul and industrial strategies.

As the Istanbul Chamber of Industry, we took a concrete first step in this area and shared our views with the public at a press conference yesterday. We have distributed to you today the "Istanbul Industrial Strategy Document" for the Istanbul Chamber of Industry project that has been supported and approved by the Istanbul Development Agency.

I would like to thank Associate Professor Melih Bulu, who prepared this Strategy Document, as well as the Istanbul Development Agency, our Board Member, Mr. Nahit Kemalbay and the Organized Industrial Zone Specialized Development Board for their contributions.

Before I share with you my views on the "Istanbul Industrial Strategy Document," I would briefly like to tell you my thoughts on the Priority Transformation Programs and the renewed interest in production economies.

### **Distinguished President and Members of the Board,**

In recent years, there have been many important achievements in Turkey in terms of the national income and increases in exports. Besides the positive international

atmosphere, it was also the market and sector diversification that has been achieved in exports in Turkey, an effort that was undertaken under the leadership of the industrial sector, that played a critical role in this success.

Over this last period, our industry has not only entered a significant period of transformation, it has also become the propelling force of growth.

At the same time, it is no longer possible to speak of favorable global conditions that in past years supported the growth performance of developing countries, the group of which Turkey is a part. This is true to the point that in the increasing climate of uncertainty, investors are more cautious in their investments in the developing countries.

Turkey too is affected by the slowdown in capital movements caused by this situation. Fluctuations in foreign exchange rates have increased due to this uncertainty and this has made more visible the external fragility of countries like Turkey that carry a high level of debt in foreign currency and need foreign currency to manage this debt.

I would like to give you an example in this context. The foreign currency obligations that have accumulated as a result of borrowings in foreign currency when this was an attractive solution in past periods have started to exert an adverse effect on real sector balance sheets with the movements in foreign exchange rates, causing an erosion of profitability.

On the other hand, the terms of competition in the global economy have changed. New production centers sprouting out particularly in Asia and Eastern Europe have created competitive problems for our industry, both in terms of exports and in the domestic market.

I would like to emphasize once again, as I did in our previous board meetings, that the Transatlantic Trade and Investment Partnership that is expected to be signed between the EU and the US stands as a threat before us for the medium term.

While operations in the industrial sector are becoming more and more risky, the tendency to back away from industry is adversely affecting the sustainability of our country's economy. Growth in other sectors is greater than in industry and this is preventing the attainment of a balanced composition in economic growth.

It is worth mentioning here one positive recent development and that is the fall in the current accounts deficit; however, as with the cooling down of domestic demand and the fall in petroleum prices, this may be a heartening indication but it also has the potential of reversing on itself since it is based on cyclical factors.

It looks like without finding a solution to Turkey's dependency on imports of intermediate goods, first of all, rescuing the country from the growth-current accounts deficit spiral appears difficult. More than that, dependency upon foreign resources exacerbates inflation as well as foreign exchange rates and bringing down interest rates becomes a risky

matter. For this reason, the industrialist is looking for more favorable financing conditions at lower interest rates and not being able to find these, feels the burden of huge obligations.

To cope with this fragility, we need to bring forth, as quickly as possible, a growth model that is focused on production and productivity. Competition in industry today almost solely relies on technology and innovation. Without increasing the share of high technology-based products in exports of finished goods, an export-focused growth may never become robust or sustainable.

### **Distinguished President and Members of the Board,**

Even the developed countries, which are trying to emerge from their state of economic recession, have their attention turned in recent years to the industrial sector, this in spite of the fact that they are so much ahead of us. As I always say, making a strong economy sustainable relying only on the services sector is impossible unless you keep up your production.

In saying this, I must also point out that high value-added industrialization continues to be the most important need of the developing countries. When we look at Turkey, however, we see that the share of the manufacturing industry in the national income is in the vicinity of 15 percent. In an atmosphere where the share of low- and medium-tech processes are high and industrialization cannot be said to

have been completed, the receding of the share of industry signifies the greatest barrier standing in the way of Turkey's entering the league of developed nations.

There is therefore, as I emphasized at the beginning of my talk, a long road ahead of us before we can carry our country's success story into the future. As the Istanbul Chamber of Industry, we have been pointing out that Turkey needs a new story and an integrated understanding of development. The labor markets of development are based on a significantly important corporate foundation that encompasses the areas of health, education, law and justice, as well as governance, and we must stress that we cannot imagine that economic policies can be independent of these.

In this context, the "Priority Transformation Programs" disclosed by our government are in line with the expectations of the industrialist. At the same time, these programs show that Turkey has once again turned its face to industry and has renewed appreciation of the importance of industry in the light of the experience it has gleaned.

The goals of the priority transformation programs are a reflection of its spirit:

Increasing production capacities in industry;  
Boosting Turkey's position in the global value chain;  
Strengthening the internal integration of the economy and reducing regional imbalances;  
Increasing export capacities and concentration on technology, and

Increasing human capital...

These goals are urgent and interdependent targets that will serve Turkey in re-structuring its production economy.

In particular, reducing Turkish industry's dependency on imports, increasing the utilization of local energy resources, supporting R&D activities by prioritizing technology-based sectors, diversifying and fortifying the industrialist's financial resources are all essential for sustainable growth.

### **Distinguished President and Members of the Board,**

As we discuss the importance of Istanbul and industrial strategies here today, there is another point I would like to call your attention to with regard to industrial strategies. Turkey's first "Industrial Strategy Document" was published in 2010. This document covered the years 2011-2014 and the work on revising it is ongoing. As much as this matter is important to the country as a whole in terms of industrial policy, industrial strategies addressing the cities should not be neglected.

In today's fiercely increasing competitive atmosphere, the competitive power of cities is gaining more and more importance. This is exactly the perspective from which we prepared the "Istanbul Industrial Strategy Document" that I spoke to you about earlier. The preparations, which have been ongoing for about one year, have just been completed and I would now like to disclose some of my thoughts to you about the document.

This is a "first" among documents of this kind in the context of city industrial strategies in Turkey and it holds the distinction of being the first response in the country to the government's announcement of its proposed "Priority Transformation Programs in the Economy," in which it expressed its desire that the business world focus on such programs.

Before going into some of the important details of the project, I want to first mention why we felt the need to prepare a document like this and what method we used in the preparation.

Recently, we have seen that industry has been left out of the rhetoric surrounding the vision of Istanbul's layout for the future. The vision rather focuses on Istanbul as a financial, logistic and fashion center.

We, however, believe that industry is an integral and integrated part of the city. Industry and cities inevitably have a relationship that is based on mutual interdependence. Especially in Istanbul, with all its depth and its stature at the heart of the Turkish economy, this reality is even more meaningful and essential.

Approaches to the contrary will bring down the share of our industry in the national income to even lower levels that where it stands today at around 15 percent.



It is because of this that Istanbul should maintain its identity as an industrial city and the necessary measures be taken to make the industrial sector an established part of the city. This is even more needed when we consider that in different periods in the past, industry has virtually been left in migration. It is imperative, however, from the perspective of being better equipped to plan for the future, that industry operates from a settled and established position. The way to establish industry within a city is through the Organized Industrial Zones.

Under the current circumstances, one of the most striking problems of Istanbul industry is the instability in the placement of production facilities within the city.

One of the arguments in the controversy is based on the view that "industry should not be located in the city." However, as can be seen in the table, there are many major metropolises around the world that disprove this approach.

This strategy document provides implementers with a road map for Istanbul's Industry up until 2023. This document, drawn up by the Istanbul Chamber of Industry, a leading civil organization within Istanbul Industry, should be assessed not only as a contribution to the plans for the future of Istanbul's industry, but also as a major work that will be of use to industrial entrepreneurs planning to invest in Istanbul.

The matter of collaborating in preparing Istanbul for the future in the light of a strong industrial vision is one of the priorities of all of us here at the Istanbul Chamber of Industry. We regard this document as a very valuable piece of research

in terms of its scientific approach and results and we prepared it so that we could benefit from it together with all of our stakeholders...

### **Distinguished President and Members of the Board,**

The only infrastructure in Turkey that has the capacity to increase high-technology-based exports in the shortest time is in Istanbul. Today, Istanbul is responsible for almost 40 percent of Turkey's total exports and continues to export 67.2 percent of the country's high-tech goods. On the other hand, Istanbul also holds a 50 percent share in exports of goods in the medium-high technology category.

As I said at the beginning of my talk, it will naturally be impossible to speak of bringing to life the 2023 goal without formulating strategies for Istanbul, the city in Turkey that produces and exports the greatest volume of high-technology goods. In other words, without improving the working environment of the industrial export players in the market, without increasing their capacities and building the needed infrastructure, and without ensuring that the main inputs of energy, raw materials and especially qualified human resources are procured, Turkey cannot be expected to reach its 500 billion dollar exports goal.

The document is also important because it represents the presentation of a text on which the Industrialists of Istanbul have agreed in their stature of being in the business, knowing first-hand how industry has fared over the years in Istanbul, Turkey's most important exporting base. It is important

because the chance of implementing a document on which there is mutual agreement is very high.

### **Distinguished President and Members of the Board,**

After having shared with you my thoughts on our main item on the agenda, I would now also like to call your attention to one other matter before going into our activities in the first months of 2015. The Istanbul Chamber of Industry has left behind in 2014 a very busy and productive year. We are sharing with you today the activities we engaged in this past year in the form of an "annual report."

We continue to work in 2015 with the same faith and fervor. Let me now share with you some of these activities.

The Istanbul Chamber of Industry Presidential Council, Board of Directors and Members of the Board gathered together on February 21, 2015 to discuss current developments in the economy and industry and evaluate the issues in industry with Mr. Fikri Işık, Minister of Science, Industry and Technology. Members of the machinery, iron & steel, metals and electric-electronic sectors were also present. Our last meeting in this context will take place in the coming days and will be announced to you.

On February 12, 2015, we brought together our industrialists and a group of high-level bureaucrats led by Adnan Ertürk, Head of the Ministry of Finance Revenues Administration, to

discuss the problems faced in taxation processes and present suggestions for solutions.

Almost all of the professional committees representing the different sectors were present at the meeting, which was hosted by our Vice-President Adnan Dalgakıran, and our industrialists found the opportunity to convey their problems in detail to the finance ministry bureaucrats and express their recommendations. With its impressive turnout, the meeting proved to be very productive and some of the main topics that were discussed were VAT, Special Consumption Tax and Resource Utilization Support Fund issues.

Now, I would like to point out an endeavor of ours related to the work of Boğaziçi Elektrik Dağıtım A.Ş. (BEDAŞ Electric Company) that I feel is of great importance for our industrialists. It is obvious that industrial enterprises in various parts of our province are regularly faced with difficulties in procuring quality and continuous energy. In this context, the problems reported to our Chamber were discussed at a meeting of our delegation at BEDAŞ General Management in an effort to find solutions to the various issues. I can say that we will continue to closely monitor the problems in this area.

I would like to mention now that the efforts in Turkey of the B20, of which I am a member, are going on at full speed. The First Regional Advisory Meeting of the B20 for Turkey was held following the meeting of Finance Ministers and Central Bank presidents of the B20 countries held in Istanbul. Our own Deputy Prime Minister Responsible for the Economy

represented Turkey at the meeting. I too participated in the meeting, joining Deputy Prime Minister Ali Babacan along with President of the B20 Turkey group, Mr. Rifat Hisarcıklıođlu.

We got together a while back with the President of Istanbul Technical University, Prof. Mehmet Karaca. At the discussions, where we talked about the collaboration of the universities and industry, we spoke of how important energy productivity was for industry. In addition to this meeting, we also planned a gathering at Istanbul Technical University on March 12, 2015 to have you, our industrialists, meet together to join in discussions as to how we can contribute to encouraging our local industrialists gain competitive competence in the nuclear industry, particularly in the nuclear power plant tenders that Turkey is planning to bid for, and increase the share of their business in global markets. We will be sharing the details of this meeting with you in the upcoming days.

At a ceremony held on January 29, 2015, at the Turkish Union of Chambers and Commodity Exchanges (TOBB), Science, Industry and Technology Minister Fikri Işık and TOBB President Rifat Hisarcıklıođlu awarded our General Secretary Melek Us the "A-Excellence" Certificate in recognition of "5-star" service that is a commendation category of the Chamber Accreditation System implemented by TOBB.

**Distinguished President, Esteemed Members of the Board,  
and Valued Guests,**

As I end my words here, I would like to reiterate my warm regards and respects to all of you here and hope that the information I have shared with you about the Istanbul Industry Strategy Document will serve as a guideline for the steps to be taken in ensuring that Istanbul attains a competitive edge on the global platform.