

## **SPEECH TEXT OF ERDAL BAHÇIVAN, ICI CHAIRMAN OF BOARD OF DIRECTORS**

Before starting my remarks, I would like to express my contentment to be here with you at our assembly meeting for April and would like to greet you all with love and respect on behalf of the Board of Directors and myself.

First and foremost, we are still deeply grieving the loss of two of our industrialist friends who passed away last month: Zeki Karahan, former member of Istanbul Chamber of Industry Assembly and Board of Directors and member of the disciplinary board for the current term, and Ali Mansur, former member of ICI Assembly and Board of Directors. May they rest in peace.

For us industrialists who shoulder responsibility and strive to produce work against all odds, relations between banking and real economy as well as financial stability are of top concerns for the development of our industry and our competitiveness.

Hence we have dedicated the main item of our agenda to the relationship between the real economy and finance sector.

We will discuss this important issue with a precious guest today.

Mr. Hayrettin Kaplan, General Manager of Türk Eximbank, we are happy to host you in our monthly assembly meeting themed **“The Role and Importance of Financing in a New Story of Economy Focused on Exports and Industry”**. I would like to thank you for your presence and welcome to our meeting.

Before sharing with you my views on the main item of our agenda, I would like to touch upon certain issues.

(This month and the following) include national holidays offered as gift to our dear children and youth as well as that of our employees who are among the major stakeholders of our business life.

Last week, the entire nation celebrated with great enthusiasm the anniversary of the foundation of the Grand National Assembly of Turkey, the symbol of our National Sovereignty, and 23 April National Sovereignty and Children’s Day that belongs to our children whose presence is a joy in our lives.

I hope that this holiday will always bring happiness to our children and our country along with common ideals and social peace.

The employee and the employer are the two chief subjects of the economy. We as Istanbul Chamber of Industry believe that the most important contribution to our industry comes from all of our employees. The positive developments we have achieved in recent years in our economy and business life are the products of the mutual selfless efforts, dialog and cooperation between our workers and employers.

I would like to hereby celebrate in advance the International Worker's Day of all of our employees to be observed this Friday, May 1.

Furthermore, we will celebrate next month "May 19 Commemoration of Atatürk, Youth and Sports Day". We believe that May 19 was a very considerable step towards the great future of our nation and country.

I would like to hereby pay tribute with grace, gratitude and respect to all the heroes of the War of Independence, chiefly Mustafa Kemal Atatürk. I would like to also celebrate in advance the holiday of our dear youth and our entire nation.

Before sharing with you my views on the main item on our agenda, I would like to mention certain issues on the national and the international agenda.

Unfortunately, a new conflict erupted in the Middle East, while current ones have still not settled. Following Iraq, Libya and Syria; conflicts and uncertainty reigning over Yemen escalate concerns over the future of the region. By contrast, Iran has started to steer towards peaceful relations with the West, set to sign a framework agreement for its nuclear program, which is a significant development. If a permanent agreement is signed in June, the results thereof will have considerable effects in our region in many aspects.

The Middle East is a territory that has long suffered from sectarian conflicts and tensions and has paid huge prices. When viewed from this perspective, Iran's opening up to the world will be hopefully conducive towards production, wealth, welfare and peace. If embraced by all of the countries in the region, I believe that this approach will make valuable contribution in every aspect to the people in these territories as well as to the world.

Unfortunately, we are in a region with little peace and too many conflicts. We know so well that everybody has their fair share of sorrow in these territories. Regrettably, the most inappropriate thing to do is to compare suffering, considering one's pain important and ignoring that of others. Exactly a century ago in these territories, the relationship between Turks and Armenians flourished on friendship and trust for centuries, was deeply wounded in a climate of great war. We used to be happy with our differences, friendship and our mutual trust but we failed to sustain this happiness and everybody lost in the end.

We should now focus on a new and happy future in these territories. I believe that while doing so, we should not allow parliaments and politicians exploit common sorrows of the past for their short-lived political concerns.

Like always, economy maintains its top position in the agenda of the world and of our country.

I would like to draw your attention to a critical development in the global economy concerning developing countries. China's growth has declined below potential levels, which will lead to negative consequences for many developing countries in the coming years.

On the other hand, policy differences in central banks in terms of quantitative easing will continue to pose a serious risk in the near future. Due to the strengthening of the dollar, countries especially with dollar-based exchange rate regime and debts in dollars will be challenged by financing conditions. In addition to this challenge, it should be noted that the policy differentiation I have mentioned may lead to major and frequent fluctuations in international capital flows. Inevitably, these potential fluctuations will badly affect Turkey as well.

It is impossible to achieve desired results in economic growth with monetary policy tools only. Therefore, monetary policies should be supported by initiatives that will promote growth, solve the problem of low demands and increase potential growth.

We as Istanbul Chamber of Industry have set our main goal to contribute to the growth of our economy, the solution of the problems of our industry and to increase competitiveness.

We hence pioneer problem-solving in all areas that impede competitiveness of our industry as well as strive to become a part of the process of solution-making.

With that in mind, we will be listening to the opinions of Mr. Hayrettin Kaplan, General Manager of Türk Eximbank, with great interest and enthusiasm.

It is of great import that our exporters have been successful in 2014 within a continuously tough and an unstable growth conjuncture in global economy.

We have not been able to achieve the expected recovery due to low demands in 2014 within the Euro Zone, our top export market. In the meantime, many economies including Russia and surrounding countries will shrink this year, which will negatively affect our sectors with large export volumes to these countries.

Nevertheless in recent years, our country has taken a major leap forward in exports to the Middle East, where geopolitical conflicts have had grave consequences for our most important markets.

Considering the goals of our country set for 2023, it has become even more crucial to support our exporting sectors within this climate of financial instability.

With increasingly stiff competition in global commerce, our industrialists are facing financing issues in many areas. The slowdown in capital movements and uncertainties in foreign exchange rates deepen the financing problem and curb the profitability of our industry, of our exporters in particular.

In view of recent developments in the economy, the most critical and delicate issue in the real economy is the placement structure created by foreign debts in the balance sheets of companies.

As we have mentioned multiple times before, the root of this problem is that the finance sector in our country is unable to create sufficient resources in deposit money and therefore depends on foreign placement. This dependency comes with a huge price.

As is demonstrated in our surveys entitled Top 500 Industrial Enterprises and Second Top 500 Industrial Enterprises of Turkey published last year, more than half of the total profitability of our industrial enterprises is unfortunately channeled into payment of interest.

As we emphasize in our top agenda item for the month, Turkey needs to write a new story in economy. I would like to reiterate the fact that this new economic story is to be written with production based on advanced technology and products with high added value.

We industrialists will adapt to this transformation that awaits us and will ceaselessly continue to strive for the development of our country and the welfare growth of our society. Industrialism and production are to be performed with love. Thankfully, we have never lost this love and we never will.

The mission undertaken by export credit agencies such as Türk Eximbank and their contributions for national economies have become even more significant within the context of a new economic story that I have just briefly outlined.

It is encouraging for all of us to observe the growth of contributions by Türk Eximbank to our exporters especially since 2012.

The receivables in foreign sales of our exporters are now secured as part of “Export Credit Insurance Programs” of Türk Eximbank, which are of great importance for penetration into new markets as well as maintaining our current markets.

Our exporters have shown considerable demand for the diversification of insurance options and the development of their scope and scales. We hope that alongside the growth of our exports with added value, the medium and long-term transactions covered by insurance will also increase in number in the near future.

Another aspect of the increasing role played by Eximbank in support of our economy and exporters lies in the step it has taken to draw closer to exporters. We as industrialists of Istanbul are very happy about the visionary decision taken in 2013 to move the head office of Eximbank to the heart of exports, Istanbul.

In addition, we are also very pleased to observe the interest rate cut for foreign-currency loans to be used especially by SMEs, announced by the bank a few weeks ago. We consider this an indication of awareness by the bank in response to difficult financing conditions experienced by our exporters due to recent fluctuations in foreign exchange rates. Furthermore, Eximbank’s support for exporters have been further enriched last year with expanded credit facilities to be provided by contracted banks for foreign companies importing from Turkey.

In conclusion, we hope that in support of Turkish industrialists, exporters and their competitiveness and capacity to create added value; the contribution of Eximbank, advancing firmly towards the goal of 80 billion dollar contribution for exporters in 2023, will diversify in the coming terms as well as increase both in quantity and quality.

In light of this hope, I would like hereby to share with Mr. Hayrettin Kaplan, General Manager of Türk Eximbank, the propositions of Istanbul Chamber of Industry:

- Medium-term buyers credit programs for capital good exporters should be expanded.
- Credit programs should be launched for high-technology product exports, one of the goals of Türk Eximbank. Maximum contribution should be given to companies with investments in foreign countries, exporting products with high added value and which incur R&D and P&D costs.
- As part of special programs, one-year term suppliers credits should be granted for financing of capital goods exports in freight-logistics-storage.
- Short-term pre-shipment and post-shipment credit periods should be maintained, with interest rates applied at minimum levels (in compliance with WTO rules). Loans should be available for up to 95 percent of the amount specified on the letter of guarantee.
- Two-year term export credit packages should be introduced for exporters that launch sales with their own brand and retail units abroad. Credit facilities should be made available in compliance with business stages described in the Turquality program.
- As part of partnership to be established with selected banks, buyers credits should be covered by insurance in neighboring markets, new markets and those with which a Free Trade Agreement has been signed or is to be signed.
- SME insurance premiums should be reduced for the insurance of suppliers credits.
- As part of national programs, export receivables in close and neighboring countries and new markets should be covered by insurance against commercial and political risks.
- A collection system should be established in partnership with an international agency to collect the export receivables of those with foreign undertakings and exporters that have had trouble collecting receivables.

In conclusion, status changes should be introduced with a more creative and flexible corporate structure, if Eximabnk is to assume the proposed new tasks, engage in international partnerships and provide direct financing from abroad. Eximbank should directly offer products and services for national suppliers and foreign buyers and should expand its organizational structure to serve this end.

As I conclude my opinions on the main item of our agenda, I would like to briefly share with you certain activities we have participated in this month.

Istanbul Chamber of Industry has left behind sixty-three years full of success. Just as was the case sixty-three years ago, Istanbul Chamber of Industry considers service to its members its fundamental purpose. We are therefore proud to have our magazine “Sanayi” (Industry) that has accompanied us nonstop on our journey for fifty years.

Easier said than done, fifty years! The voice of Istanbul Chamber of Industry and its members, our magazine is the oldest economy magazine of Turkey. This month, we have published as supplement a full-page first issue of the magazine Sanayi, which has been taking the pulse of our industry and economy since March 15, 1966. I believe that our magazine, with half a century long history of success, will continue to attain further achievement in many more years to come with the support of our industrialists and its readers.

We have published the industry reports prepared as part of the “Project for Sectoral Strategies in Global Competition for the Sectoral Committees of Istanbul Chamber of Industry”, launched in an effort to boost the competitiveness of our manufacturing industries. We have shared with the public the strategies for the industry in the report issued in cooperation with representatives of sectoral committees, sectoral associations and trade bodies.

On April 14, 2015, we attended the information meeting of the European Internship Consortium, of which ICI is a member, held in the main building of ICI. This year, the Consortium aims to send a hundred young persons from our country to internship in Europe. I believe that the socialization of our youth with different cultures and societies will be beneficial both for the young people themselves and for our country.

On April 8, 2015, I attended the 8<sup>th</sup> Trade and Industry Council of Turkey, hosted by M. Rifat Hisarcıkliođlu, Chairman of the Board of Directors of Union of Chambers and Commodity Exchanges of Turkey (TOBB) and held in the presence of Prime Minister Ahmet Davutođlu and related Ministers. During the meeting, I had the chance to personally communicate to the government the five major problems in our provinces and related proposition for solution.

Leading representatives of the sectoral association of the textile and ready-to-wear industries joined at a meeting held in the main building of Istanbul Chamber of Industry on April 7, 2015 hosted by İrfan Özhamarathı, Vice Chairman of the Board of Directors of Istanbul Chamber of Industry and ICI Board Member, Ali Ulvi Orhan. The purpose of the meeting was to discuss current problems in the sector as well as possible solutions; economic issues in neighboring countries especially in Russia and the effects of the increasing dollar exchange rates in the sector.

Between May 21 and 23, 2015; we will organize a visit to Malatya with the participation of members of our assembly, in order to examine the economic situation and investment environment, discuss cooperation options and consolidate communication between chambers. We are looking forward to your attendance to the visit.

As I conclude my speech, I would like to welcome once again our valuable guest Mr. Hayrettin Kaplan. Once again, on behalf of the board of directors and myself, I would like to greet you all with love and respect.