

**Mister Chairman,**

**Distinguished Members of the Council,**

**Distinguished Honorary Members of the Council,**

**Dear Guests and**

**Distinguished Members of the Press,**

Before expressing my opinions at our council meeting for June, I would like to take this opportunity to greet you with love and respect on behalf of myself and the Board of Directors.

Dear Professor Mensur Akgün of Kültür University, it's an honor to host you in our council meeting for this month entitled "Middle East Centered Foreign Policy Developments and Their Possible Effects in our Economy". Thank you for your participation. Welcome.

We are on the eve of a peaceful spiritual climate. Our harmony is further strengthened in the redemption month of Ramadan, sultan of eleven months, thanks to the beauty fostered by compassion, sharing and fraternity.

In light of this understanding and thinking, I would like to wish happy Ramadan, ahead of time, for the entire Muslim world, the people of our country and all of you.

**Mister Chairman and Distinguished Members of the Council,**

While I share with you my opinions about the main item on our agenda this month, I would like to call to your attention a concept and its significance for the foreign policy developments we are experiencing.

Ignored and forgotten for a long time, geopolitics has started anew to lead the way as the world descends into a major chaos ahead of a new transformation.

Unfortunately, we are going through an age in which the presence of geopolitics gives happiness. In fact; days of political, economic and social tumult are those that geopolitics loves, just as wolves love foggy weather.

In the post-Cold War age, anticipation for the "End of History" and "World without Borders" kept minds busy for a while as geopolitics lost reputation.

Yet today, we are in a new era in which nobody doubts that this age has not ended.

In this new age, we are facing a new stage of a search for imperial powers, struggles to draw borders within borders and a new age of chaos based on the control of energy resources.

Geopolitics gain respect for these very reasons. I would like to particularly emphasize the bitter truth that from a historical perspective, the respect geopolitics enjoys has brought nothing but blood and tears to humanity.

Let's cast a glance at the bloody history of geopolitics:

The conflicts of interest escalating towards the last quarter of the 19<sup>th</sup> century reached their peak in early 20<sup>th</sup> century which in turn oiled the wheels for a great catastrophe. The World War I between 1914 and 1918 was a solution to conflicts at gunpoint.

The World War II between 1939 and 1945 was also a solution to conflicts at gunpoint.

The new era following the end of the World War II was built upon the establishment of Welfare States which was completely laid aside in early 1990s when the Cold War ended.

In the post-Cold War age, industrial capital has been in the grip of financial capital in which high profits not based on production accumulated by a small group drew attention.

During this age of high profits not based on production, many people started to believe in a much better future but I would like to underscore the fact that the complete opposite was taking place.

The arguments of Mikhail Gorbachev are highly relevant here: "...The 'end of history' many people argued and announced has not arrived. On the other hand, a world in which many politicians from my generation believed in and trusted wholeheartedly has not arrived either.

With the end of Cold War, we believed that humanity would finally forget about dangerous regional conflicts and we would step into a golden age in which material resources would be used reasonably and poverty and inequality would end...

Unfortunately, the world has not become fairer in the last 20 years: The gap between the rich and the poor remained the same or deepened. This is a gap not only between the North and the South but in developed countries themselves..."

Meanwhile, the world stages highly dangerous events from North Africa to East Mediterranean, from Middle East to the Far East, let alone becoming a more just and livable place.

### **Mister Chairman and Distinguished Members of the Council,**

Chaos-ridden, unsettled Middle East is going through a new chaotic political process...

The Middle East is experiencing disorder even in geographical terms. Near East, Middle East, Greater Middle East and Expanded Middle East are definitions by the West whereas the most authentic definition for the region is Mesopotamia, which is a part of this territory.

Middle East has experienced political chaos often throughout history, suffered immensely and unfortunately modern times have not brought peace either.

Chaos and pain is even more intense today and casts a dark shadow over Middle East.

The disillusionment of the post- World War I dealt a major blow in peace in this region.

Arabs could not build the great state they were seeking. This era was, just as it was for other peoples, was undoubtedly an age of disillusionment for Turks as well.

Turks lost Middle East while they were looking forward to building the Turan Empire ahead of the said war. They settled for living within the borders of Anatolia.

In the post-World War era, people in this territory in a way joined under the common denominator of “unsettlement”.

Peace did not prevail Middle East even after 1989 when the Berlin Wall fell and Cold War ended. Even four wars between Arabs and Israel during Cold War did not teach a lesson for the region.

On top of the eight-year war between Iran and Iraq, the First Gulf War erupted in 1991 just as Cold War had come to an end.

This war deeply unsettled the political dynamics established in Middle East in the aftermath of the World War I.

The attacks aimed at the USA on September 11, 2001 complicated further the dire conditions of Middle East, and America bogged down in the region after invading Iraq in 2003 just as was the case with Vietnam.

Obama’s election as president in 2008 had created hope for peace and democracy mostly in this region. But this hope did not last long. The riots that began in the Arab territories in 2010 upended hopes for peace and democracy.

The deadlock in Syria today and the military coup in Egypt have brought about a new but familiar age of chaos to Middle East. Borders, regimes and social peace are breaking down.

Today certain groups lose their senses over race, certain others over religion or sect in the Middle East. The region needs a new understanding based on humanness which does not run politics of identity.

In the face of this landscape today, some people may say “I wish Turkey has never made itself busy with Middle East.”

However, as agreed by our guest Professor Mensur Akgün, there was no possibility that Turkey would turn inwards and adopt no attitude against what’s happening around as a country oriented towards foreign countries, engaging in trade with the world and asking for a say in world politics.

The problem is not the success of policies implemented so far. The problem is how the bloodshed of our neighbors will end from now on, how stability will be ensured and how effective we will be in the future of the region.

Faced with these critical issues, we have to come up with creative solutions as the country affected the most by the happenings in the Middle East.

**Mister Chairman and Distinguished Members of the Council,**

These problems are of particular concern to our country and us not only from a political perspective but from an economic standpoint as well.

Uncertainty and tensions in the globalizing world have a determinative effect upon economic predictability and stability.

All economic variables from oil prices to foreign exchange rates, from foreign trade to production and employment are affected by political uncertainty.

As regional tensions rise during the period we are going through, the said economic variables have gained importance.

When we take a look at Iraq, our second largest export market after Germany, from this perspective; we observe that approximately 1550 Turkish companies operate all over Iraq and investments focus mostly on Erbil which is under the control of Northern Iraq Kurdish Regional government and which is relatively safe.

Currently, investments in Mosul which is controlled by ISIS, is estimated to make up less than 10% of all investments in Iraq. However, news from the region indicates that exports have been severely hampered.

Mr. Mehmet Şimşek, our Minister of Finance, has stated in our Joined Meeting of Professional Committees that Turkey's current account deficit outlook will be negatively affected unless the events are not brought under control.

It is a fact that oil prices are closely linked with rising uncertainties during times of escalated violence in the Middle East.

Recent developments in Iraq have created a significant risk in oil prices which have followed a relatively normal trend in recent months.

In the event that the situation spins further out of control and oil prices follow a further upswing, the recovery in global economy will be negatively affected.

In that case, our country, a major oil and energy importer, will experience considerable fragility in economic performance with current account deficit and inflation.

In brief, in the face of critical developments in the Middle East, our country should lie heavy on policies based on common sense aiming at establishing peace and stability as soon as possible with an approach that gives no credence to adventures.

**Mister Chairman and Distinguished Members of the Council,**

We announced the results of our ISO Top 500 Industrial Enterprises for 2013 survey with a press meeting yesterday.

Just as is the case every year, we will share the results with you, distinguished members of the council.

However, before elaborating on the results of the 2013 survey, I would like to mention some of the changes we introduced in the "Turkey's Top 500 Industrial Enterprises".

One major change we introduced this year was that we amended the date of announcement of the results to one month earlier. We announced the results of ISO 500 survey on June 24 this year, which we did previously towards the end of July. We made effort to enrich the survey with new categories and evaluations such as EBITDA, Statistical Classification of Economic Activities, R&D Spendings and technology intensiveness. Here is what we find when we take a look at the results of the Top 500 Industrial Enterprises which offers a unique snapshot of industry:

The number of private enterprises listed on ISO 500 in 2013 is 487 whereas the number of public enterprises is 13, same as last year.

“TÜPRAŞ” tops the chart of sales from production, just like in recent years. This enterprise is followed by “Ford Otomotiv” and “Elektrik Üretim A.Ş.”. “Elektrik Üretim A.Ş.” is the only public enterprise of the top 10 list and jumps two spots compared to last year.

“Elektrik Üretim A.Ş.” is the highest profit-making enterprise. This enterprise is followed by Türkiye Petrolleri Anonim Ortaklığı, the profit champion of last year.

The first three rankings remain unchanged in exports. The leader is again “TÜPRAŞ” followed by “Ford Otomotiv” in the second spot and “Oyak-Renault” in the third.

ISO 500 recorded exports worthy of \$63.7 billion in 2013. The rate of ISO 500 companies in total exports of Turkey is a significantly high 42%.

Net sales of ISO 500 rose by 7.4%. Total period income dropped considerably by 8.5% compared to last year. During the same period, the number of profit-making companies dropped from 437 to 371.

Sales profitability diminished from 5.7% to 4.9% whereas earnings before interest, taxes, depreciation and amortization, namely EBITDA rate is around 11%.

Although companies show relative improvement in operating income, they have been forced to allocate a major slice of profits to financing expenses due to the increase in particular of interest and foreign exchange rates. The surge in financing expenses negatively affects the profitability and financial structure of companies.

Indicators point out to a deterioration in the financial structures of the Top 500 Industrial Enterprises in 2013 compared to last year. The rise of debt/equity ratio in top 500 enterprises to 130% and to 150% in private enterprises draws attention in this respect.

One of the most striking basic indicators of the Top 500 Enterprises is the distorted total debts/equity ratio. This rate soared 20.4 points to 132.4% in 2013 alone. The total debts/equity ratio which rose to 116% in an environment of rapid economic growth in 2011, fell to 112% in 2012 due to economic slowdown, reached its all-time high of the last decade in 2013.

The rate of total debts in total assets clearly manifests the financing burden of the industrial sector. In 2013, the rate of total debts in total assets of the Top 500 Enterprises rose from 52.8% to 57%. Debt ratio of the Top 500 Industrial Enterprises maintained its growth and reached its all-time high in the past decade. This is an important indicator of how industrial enterprises make use of liability sources due to an inadequacy of equities.

Our industrial enterprises have a long way to go in terms of R&D and technology intensiveness. The R&D spending to sales from production ratio of the top 500 enterprises is a very low 04.7% whereas the rate of high technology in created added value is only 2.6%.

Employment in Top 500 Industrial Enterprises rose by 3% in 2013 to approximately 614 thousand people. Against all odds, Top 500 Industrial Enterprises increasingly continue to contribute to social welfare.

These results offer a list of verses which our country, management of the economy and our companies will draw lessons from.

First of all, I would like to congratulate yet again all of our industrial enterprises which enabled the birth of this work by sharing their data and would like to reiterate the importance of financial stability which we express at all times.

The data and results I have just shared demonstrate how financial stability is such a critical threshold for Turkish economy. We have seen altogether how even a minor turmoil shakes up the financial structures and profitability of our companies.

The results clearly underscore that none of those who govern the country should ignore financial stability. On the other hand, we shared important data on technology and R&D this year. The data of 2013 manifest how far we lag behind high technology, an absolute must for Turkey which is of particular importance for the advancement of our industry.

This is a highly critical issue on which all those responsible should reflect and act together towards a solution. If those steps are taken, I would like to especially state that I believe the industry of our economy can evolve towards high technology.

**Mister Chairman and Distinguished Members of the Council,**

I would like to share with you briefly some of our operations and activities, just like I do every month. We organized the second Joint Meeting of Professional Committees with the participation of Mr. Mehmet Şimşek, our Minister of Finance. Our members seized the chance to express their sector-related problems and the words of our Minister of Finance regarding the concrete steps they will take towards the problems of our industrialists gave us hope. However, I would like to emphasize in particular that we continue our efforts at the government level on issues we have not settled and we insist on these issues.

The first destination of the annual Anatolian visits we started as Istanbul Chamber of Industry was Kastamonu. The aim of the visits is to serve the industrial development of Turkey as a whole.

We have been received with unforgettable hospitality in Kastamonu, the land of friendly people. Our Kastamonu visit was highly fruitful. We believe that our fellow townsmen of Kastamonu also played a role in this visit which broadened our horizons. Strong collaboration and friendships should rise out of negotiations between our members.

I would like to hereby take this opportunity to thank again all of our friends in Kastamonu for the exemplary hospitality they extended to us.

A few weeks ago, we joined our former Members of the Council who have been of great service and made major contributions to our Industry and our Chamber. We presented their 'Lifetime Honor Awards'.

I have always regarded our doyens of industry as lighthouses. I will continue to see them in that light; I'm so glad that they are there. Some of the industrialists who have received the Honor Award are among us here. As I said before during that day, I would like to hereby remind you that the last Saturday of May will be set as "meeting day" every year in an effort to benefit from the views, opinions and knowledge of our doyens.

**Mister Chairman and Distinguished Members of the Council, Esteemed Honorary Members and Distinguished Members of the Press,**

As I conclude my speech, I would like to welcome our Esteemed Guest Mr. Professor Mensur Akgün and would like to greet all of you again with love and respect on behalf of myself and the Board of Directors.