

## **SPEECH TEXT OF ERDAL BAHCIVAN, ICI CHAIRMAN OF THE BOARD OF DIRECTORS**

### **FOR THE ASSEMBLY MEETING IN DECEMBER**

I would like to greet you all on my behalf and on behalf of the Board of Directors before I share with you my views at the assembly meeting for December.

We are holding this meeting within a climate of hope and excitement for national economy and production. Our country is about to embark on a new and a critical reform period.

Along with the joy of this hope, we industrialists bear a responsibility to prepare for and contribute to a new process. I would like to draw your attention to this excitement and the responsibility we must fulfill, recalling the proverb "many hands make light work", a most befitting aphorism for this period.

Among us today is a very precious guest who has always lent an ear to our problems and never failed to support us. Mr. Fikri Işık, Minister of Science, Industry and Technology, I would like to welcome you to our monthly assembly meeting themed "The Key Role of Effective Economic and Industrial Cooperation for Quality Production Ahead of the New Reform Era" You have honored us with your presence.

Mr. Minister, I would like to welcome you and your esteemed colleagues to our meeting.

We are happy that you have retaken office as Minister of Science, Industry and Technology with the 64<sup>th</sup> Government formed after the elections on November 1. On behalf of the Istanbul Chamber of Industry, we would like to congratulate you on your position and hope that it will create benefit for our nation, industry and production.

We take great strength from the sincere dialog established between the Ministry and Istanbul Chamber of Industry, one of the strongest and well-established chambers of Turkey. We intend to further develop this dialog. I would like to take this opportunity to emphasize that we consider it especially meaningful and valuable to have you as the first Minister of the 64<sup>th</sup> government to join us in our Assembly meeting.

Soon after the government took office, our Board of Directors received the valuable feedback of our esteemed Members of the Assembly to prepare a study. Mr. Minister, we will be sharing with you today this study entitled "Istanbul Chamber of Industry's Expectations of and Propositions for the New Government on Economy and Industry"

No one should expect that economic transformation programs and action plans will run smoothly in practice. Every rose has its thorns and the forthcoming transformation process will inevitably come with its issues. Needless to say, it won't be easy eliminate economic troubles built up over many years. We must establish proper and timely negotiations with chiefly Ministry of Science,

Industry and Technology as well as other related ministries on the bumpy road of transformation to find solutions to potential problems.

Istanbul Chamber of Industry has never been a complainer, opting instead to become a part of solutions. We are determined to uphold this position in the future as well. I would like to especially draw your attention to the fact that our study on the expectations from and propositions to the New Government is a clear testament to our determination.

On a different note, I would like to share with you sad news: Mr. Halit Keleş who has served as Member of the Assembly of our chamber for 18 years has recently passed away. I would like to express my sincere condolences to his family and our industry on the passing of a precious industrialist who has offered invaluable service to our industry.

We have just presented you with the 2016 budget we have drafted with utmost care and effort. I would like to express my gratitude to our Esteemed Members of the Assembly for showing the courtesy of accepting our budget. I hope that our budget for 2016 will benefit our chamber.

We strive to serve our members the best way possible and carry out efficient activities at our Chamber. We have always maintained a discipline for an agreement between the revenues and expenditures listed out on our budget. And so shall we from now on.

I would like to thank our Accounts Commission, Office of the Secretary General and Chamber staff who have worked on the drafting of our budget.

Before I share with you my opinions on the main item of our agenda, I would like to briefly mention two recent developments which are of particular interest to industrialists.

The first one is on the European Union. In recent weeks, we have observed a revival in Turkey and European Union relations after a long period of stagnation. Turkey's EU accession process has gained new momentum following the first European Union-Turkey Summit held in eleven years. I would like to express my deep contentment about this development.

The decisions taken at the Brussels Summit led to the opening of "Economic and Monetary Policy" chapter as part of negotiations for Turkey's full accession to the EU. It is reported that further chapter openings in the first quarter of 2016 might be in the pipeline including chapters on "energy", "justice and civil liberties", "justice, freedom and security", "education and culture" and "foreign security and defense policy". Notably, the opening of these chapters has so far been blocked by Greek Cypriot Administration of Southern Cyprus.

If things go according to plan about the Cyprus issue with a solution worked out in March 2016, Turkey-EU relations will gather further momentum.

Another outcome of the Brussels Summit was the visa exemption subject which industrialists pay significant attention to. The Summit produced a decision on launching the "EU-Turkey Visa Exemption Dialog" and "Readmission Agreement". If put into practice, the agreement will allow Turkish citizens visa-free travel to EU countries as of October 2016.

I would like to draw your attention to one last important point about this process: The revival of the EU negotiation process will have a positive impact on the concurrent reform process in Turkey. Just like in previous years, EU will hence create a strong anchoring effect in economic reforms to be adopted in Turkey.

The second issue I want to touch upon is climate. Recently, 195 countries joined the United Nations Climate Summit held in Paris. The Summit produced an agreement to keep global average temperature rise below 2 degrees and limit the rise, if possible, to 1,5 degrees.

In retrospect, Kyoto Protocol adopted in 2005 proved ineffective as largest carbon emitters did not ratify the protocol. The Paris Summit is therefore in remarkable contrast with this failed protocol. The agreement reached in Paris is the first universal climate agreement achieved so far.

The agreement is worthy of note in legal terms. It also bears one significant result for industrialists: Paving the way for a post-carbon era with a goal to putting an end to the use of fossil fuels, an era considered as a "turning point in the history of industry".

The issue is not limited to greenhouse gas emissions that lead to climate change or a general battle against environmental pollution but about devising a sustainable development strategy. In a nutshell, while the age of Second Industrial Revolution based on fossil fuel energy is drawing to a close, a Third Industrial Revolution based on renewable energy rises in the horizon.

I would like to now share with you my opinions on the main item of our agenda.

As I have mentioned in the beginning of my speech, we are at the outset of a new reform period which sets quality production as a goal. This is why the said reform period will be even more meaningful for industrialists who dedicate their lives to production.

Minister of Science, Industry and Technology Mr. Fikri Işık underlined that Turkey's growth will no longer be based on cheap labor and piling it up and selling it cheap. He pointed out the necessity for higher quality production in Turkey, a crucial area of focus in the upcoming period of reforms. Istanbul Chamber of Industry is in total agreement with these opinions. We would like to especially note that these findings reflect the core of Turkey's new economic story.

This is why I think we should make good use of these days in which we adopt a new perspective on reforms. Elections on November 1, 2015 not only produced a strong political power but a determination to launch transformation programs.

I would like to draw your attention to a crucial point. Acting fast and on time is a weakness we suffer from as a society. We believe that this weakness will not undermine the goal of transformation.

We believe in this because a system is put in place that lays out what agency will undertake which reform. We also find it meaningful and valuable that a board is established to ensure coordination and monitoring of reforms.

The route ahead is set: Structural Reform Programs, Turkish Industrial Strategy Document, 64<sup>th</sup> Government Program and Action Plan for 2016... All of these documents will guide our transitioning to quality production and achievement of global competitive edge.

The reform era launched in Turkey gains even more import in an age when small growth rates are a global issue. We find small growth unacceptable for a country like us with major goals and a young population.

We therefore need to focus mostly on the antidotes to small growth: reinforcement of social capital through education, R&D and increased technological content in all production and service processes. Needless to say, concentrating on these areas will pave the way for quality production. Quality production targeted in the reform period is briefly outlined as "increasing competitiveness by leveraging on science and technology in production."

The main component of such perspective on production is qualified persons able to make use of their knowledge and skills in production. Only with investment in qualified persons we can join knowledge and production, fast adapt to new production technologies and turn this into competitive edge.

Everybody complains about "not being able to find qualified work force." But we have millions of unemployed citizens in our country. We observe a bitter conflict between allocation of increasingly higher resources in education on one hand, and a lack of qualified workforce on the other. We must no longer allow waste of resources in this area. If we all agree to say no to waste of resources, we must without delay take steps to add quality to our education system.

Especially university education must go through a change in Turkey. About a year ago, Istanbul Chamber of Industry demanded a separation of Turkish universities into research and teaching universities, based on successful examples around the world. I would like to express my contentment over the cooperation between Board of Higher Education and Ministry of Development to group our universities according to the needs of our age and of our production.

As we point out very often, university-industry cooperation must be based on a more efficient ground. Ministry of Science, Industry and Technology has recently introduced legislation which comes as a motivating development. Academics who engage in R&D activities will no longer pay income tax on the revenues of their activities and deduction will be limited to 15%.

The government is about to take a major step in another area. Last week, Istanbul Chamber of Industry attended the workshop in Ankara on the R&D Reform Package held under the auspices of the Ministry of Science, Industry and Technology. The propositions raised at the R&D workshop largely tally with the opinions and propositions of our Chamber.

Apparently, the newly devised R&D reform package introduces novelties. For instance, TÜBİTAK will no longer be a competitor of private sector companies engaged in R&D work and will instead serve as a supporting agency for such companies. Another element in the reform

package which we find important for our industry is that design will be supported as much as R&D.

I would like to draw your attention to our desire that Chambers of Industry play active role in deciding the content of R&D subsidies and, if need be, in the use of such subsidies by companies.

In brief, our economy and industry will be more powerful in global competition if we reinforce social capital through education, boost technological content in all production and service processes and raise our level of production.

Of course, I would like to especially underline the fact that we must avoid any action that might hamper our competitiveness. While the 64th government takes action to raise workforce welfare, employers have good reason to about new, heavy burdens on their shoulders. We welcome the government's consideration of this worry with the announcement that the burden will be shared by the state.

Our country is at the threshold of a new economic transformation which will be possible only if it is complemented by different types of cooperation. The world sees new partnerships, cooperation and global alliances worth hundreds of billion dollars everyday.

Needless to say, we consider cooperation not as one-off strategic choice but what will potentially turn into a personal and corporate value. We must therefore abandon traditional approaches and practices of cooperation and pioneer out-of-the-box perspectives and implementations.

ICI not only pays attention to this in theory but in practice as well, evidenced by the cooperation protocol signed by Istanbul Chamber of Industry and Bursa Chamber of Industry and Commerce last week.

This strategic cooperation not only envisions Bursa's and Istanbul's development but an overall development of the entire region. I would like to especially note that our joint efforts to achieve quality production in Marmara Region will set a model for other regions as well.

As Istanbul Chamber of Industry we would like to engage in more efficient cooperation with the Ministry of Science, Industry and Technology. Considering the warm interest and strong cooperation of our minister and the ministry's staff have shown us so far, we fully believe that we will further engage in effective cooperation in the coming terms.

One thing we cannot stop is the flow of time. The evidence is that we are about to conclude another year.

Ahead of the end of 2015, I would like to express my hope that 2016 will bring peace and abundance to our nation; health and happiness to us all. Happy new year.

As I conclude my remarks, I would like to welcome once more Mr. Fikri Işık, Minister of Science, Industry and Technology and greet you all with love and respect.

