

**Mr. Minister,  
Mr. Chairman,  
Esteemed Members of Assembly,  
Esteemed Honorary Members of Assembly,  
Distinguished Guests  
and Dear Press Members,**

Before I share my views here at the April Assembly, I would like to welcome you on behalf of our Board of Directors and myself.

I would like to welcome Mr. Bülent Tüfenkci, Minister of Customs and Trade, to our assembly meeting of this month, titled “Significance and Impact of the New Production-Based Economy for Turkish Trade and Industry”. You have honored us with your presence.

Mr. Minister, this is your first visit to our Chamber. The fact that we are operating under your Ministry calls for constant communication and cooperation. Your presence, accompanied by a large group of colleagues, is an example to this fact.

Mr. Minister, we treasure your recent statement affirming that you would make every effort to resolve problems encountered by the chambers of industry and you would follow up the industry-related developments. It is also an indicator of the goodwill, determination and sincerity towards an efficient and fruitful cooperation that we yearn for.

On this occasion, I would like to say "welcome home" to you and your esteemed colleagues, as we have always regarded you as one of us.

**Mr. Chairman, Esteemed Members of Assembly,**

Before sharing my views on the main agenda item, I would like to talk about a couple of other issues.

Last week was worthy of recognition for our national sovereignty and our beloved children. The beginning of the next month, on the other hand, is important for the workers, key pillars of the professional life.

We recently celebrated the April 23 National Sovereignty and Children's Day with utmost joy and excitement, a festival marking the foundation of the Turkish Grand National Assembly, the symbol of our national sovereignty, and dedicated to children, our sources of joy.

I hope that April 23 brings happiness to the children and the country as well as trust in Turkey's bright future.

Turkey's employees and employers strive to develop the national economy and improve our social prosperity. We, at the Istanbul Chamber of Commerce, are confident that it is the hardwork and labor of all the employees who contribute the most in the industry. I would like to take this opportunity to celebrate workers' International Workers Day falling on Sunday this year.

**Mr. Chairman, Esteemed Members of Assembly,**

Making the organization of the Istanbul Chamber of Industry, Turkey's largest and strongest chamber of industry, more efficient and fruitful is a priority goal. We shared a little while ago one of our remarkable steps to achieve this goal.

We live in an era full of rapid changes in every field, which also affects sectors and related professions. In fact, thirty years ago, there were eight thousand jobs described in our country, which increased to 12 thousand today. Therefore, we see hundreds of new professions join the ranks of production areas.

In order to adapt the pace of this change, ICI launched a study to restructure its Sectoral Committees in line with current needs so that they can properly represent all the sectors, and make their voices heard.

We just agreed to start the study on the “Regrouping of Sectoral Committees” upon your support and approval. I hope that this decision taken in our meeting also attended by Mr. Minister, as a pleasant coincidence, will benefit our chamber and our industry.

**Mr. Chairman and Esteemed Members of Assembly,**

Before I share with you my opinions on the main agenda item, I would like to briefly mention some current national and global economic developments.

Four months into 2016, growing pains continue in the global economy, marked by high level of economic risks and uncertainties, still low commodity prices and concerns regarding Chinese economy. Developed countries still suffer from the crisis' repercussions while developing economies record decelerating growth figures for five years now.

This atmosphere undoubtedly worsens financial conditions faced by developing countries, such as Turkey. However, due to growth concerns, FED puts off raising the interest rates while central banks of Europe and Japan pursue their quantitative easing policies. For a while now, this helps developing countries benefit from capital inflows.

On this occasion, I would like to talk about a considerable development realized in collaboration with the Ministry of Customs and Trade, which will contribute to our economy and trade: In March, Turkey became one of the 77 countries that adopted World Trade Organization's "Trade Facilitation Agreement", WTO's most comprehensive global trade reform ever. The number of parties to this agreement is increasing at a great pace.

Ratification of this agreement that is deemed as the strongest initiative towards recovery of the global trade will bring about significant achievements, namely easing Turkish exporters' operations in foreign markets, pulling down the costs, reducing durations, and mitigating the obstacles.

As industrialists believing that production and trade are central to a given economy, we welcome our country's

adoption of this Trade Facilitation Agreement, said to increase global trade amount by \$1 trillion, with satisfaction.

As for the economic developments in Turkey, I would like to say that the growth in national economy remains strong despite several shocks. Foreign demand, under the influence of global factors, negatively affects the economic growth, whereas domestic demand remains intact. First data indicate that domestic demand will continue to prevail among other factors regarding growth in 2016.

Almost 6 percent growth of industrial production, leading indicator of growth, over the first two months of the year, represents our solid opening performance. Still, we must be aware of the uneven distribution of this growth, in favor of certain sectors.

On the other hand, inflation has been in a downward trend for two months now. Yet, annual inflation rates are still above target levels and core inflation has not seen a significant decline yet. We anticipate that inflation rates must still be closely followed up with softened base effect after June.

Another key issue is that Turkey remains vulnerable to external shocks, despite the relative improvement observed over the last couple of months. At this point, sudden capital outflows are still perceived as the biggest risk. The recent declining trend in our international reserves also adds to Turkey's vulnerable position. Also, despite the current deficit reduced due to low oil prices, net international investment

position remains half of the national income. Private sector balances remain vulnerable to high currency exchange rates.

All those risks have the potential to affect the banking industry. Although Turkish banks are strong in terms of capital adequacy, we would like to stress that Basel III practices may limit the banks' loan extension capacity to a certain extent in the near future, which may exacerbate the financial problems facing the real industry.

Increasing domestic savings and improving the saving-investment balance remain prioritized in reduction of external vulnerability. It is clear that we need an investment-oriented growth. Lastly, we have observed that in 2015, 15 percent of the investments, accounting for 20 percent of the national income, were made with domestic savings. We also have to take into consideration that, again in the same year, private domestic savings constituted only 10.4 percent of the national income, a historic low.

To sum it up, we are heading towards a period of scarcer resources. It would benefit every party if the real sector and finance industry could successfully handle this rough patch with mutual understanding and trust, without giving into pessimism.

**Mr. Minister, Mr. Chairman and Esteemed Members of Assembly,**

Having talked about the economic developments with reference to factors related to the global economy, I would like to move on to our main agenda item.

The last thirty years witnessed an unhealthy division of labor and role sharing among different national economies. Countries with emerged economies drew near to the service and finance sectors, sending industrial production abroad while countries with cheap labor, Asian countries in particular, became global production hubs.

The global financial crisis of 2008 demonstrated the non-sustainable character of this unhealthy structure. The new production-based approach to economy stands out with its high value added, sustainable production based on information and technology.

The new era's production-oriented approach towards economy does not leave much room to growing without production or shortcuts to wealth. The heyday of making money from money has come to an end. No country can survive unless it builds its economy upon production.

From this perspective, production economy rises in importance for Turkey, a country of big targets and aspirations amid the very challenging global competition.

Therefore, Mr. Minister's statement that production is the key pillar of economy and their duty is to enable the business world produce and earn more indicates that he is on the

same page with us, industrialists, and we are glad to agree on this matter.

At Istanbul Chamber of Industry, we believe that an economy revolving around qualified production is key to a healthy economic growth. We have repeatedly stressed and will continue to stress that achieving an economic growth resilient in the face of speculative capital movements, global fluctuations and shocks calls for a production-driven growth.

Adoption of Priority Transformation Programs while the new production-based economy approach is gaining recognition in Turkey has proved political authority's determination towards implementation of this new economy approach.

In parallel, reform and action plans announced by the Government in the past months caused a public excitement and stirred industrialists up. However, I would like to emphasize that we have observed this enthusiasm has somewhat faded since then.

To create a promising future for our country and economy, we expect reignition of the reform thrill, realization of the said programs, and priority given to reforms aiming at savings and productivity boost.

On another front, I believe that we have to concentrate on the quality of human resources, sustainable factor of the efficiency, as well as promoting an investment-friendly and production-friendly environment, in order to transform Turkish economy into one based on advanced technology. At



this point, I would like to stress once again that creation of the needed human capital requires increasing the education quality in all levels, creating equal opportunities and raising a productive, equipped, highly qualified working population.

**Mr. Minister,**

Next, I would like to mention industry's and industrialists' common problems, which are also relevant to your Ministry:

An effective and fast customs system would enhance our competitive edge in foreign trade. We are glad to see the latest efforts by the Ministry of Customs and Trade into this matter. The “authorized economic operator” practice is an example conform to the past performance system that we have been constantly proposing as a solution to long lines at customs. Mainstreaming this practice would facilitate industrialists' customs procedures.

Another significant customs-related challenge faced by industrialists is slow approval processes and the resulting overtime fees covered by industrialists. Uninterrupted work at customs, which we deem a key collaborator, would ease the process for industrialists, especially in such a time marked by big targets and challenging global competition.

The red line process at customs inspection prolongs the procedures and increases costs. Review of the red channel in terms of the risk assessment criteria, and establishing more selective rules for goods' entry to the red line would help solving this problem.

Customs are the most important barriers protecting our industry against unfair competition due to imported goods. However, imports of non-standard goods, especially those coming from the Far East, must be inspected and monitored both at customs and in commercial markets.

Now, I would like to talk about industrialists' problems in respect of the public letters of guarantee. Industrialists in our country are bound by the letters of guarantee in a variety of fields. I am sorry to say that public letters of guarantee correspond to the majority of our bank limits.

We experience the problem of the letters of guarantee under the Inward Processing Regime as well. Releasing Release of those guarantees takes a long time, which poses liquidity problems for Turkish companies. We recommend that the Ministry consider a credit insurance system as a solution to.

Another issue is problems due to various port charges. Price tariffs at ports must be standardized and an upper limit must be set.

The Inward Processing Regime is an instrument we must utilize very efficiently in order to safeguard our competitiveness in foreign markets and boost the exports. Nonetheless, industrialists in Turkey encounter obstacles related to the inward processing regime in both legislation and practice. As a matter of fact, the legislation drawn up by the Ministry of Economy and practices adopted by the Ministry of Customs and Trade contradict at times, taking a

toll on industrialists. We are of the opinion that the two ministries should join their forces to rearrange the inward processing regime in connection with business lines and sectors.

Lately, a great deal of companies resort to courts for suspension of bankruptcy. We think that the terms governing suspension of bankruptcy should be more realistic. We need new regulations to protect creditors as well as companies experiencing genuine financial difficulties, while preventing potential misuses at the same time.

**Mr. Chairman and Esteemed Members of Assembly,**

After sharing with you my opinions, common problems and solution suggestions with regard to the main agenda item, I would like to move on to brief about some of Chamber's activities.

We work day in, day out in order to strengthen the relationship between members and the Chamber. We put in qualified, effective and efficient efforts into creating value for our members.

Now, I would like to fill you in on our works which reach out to our base, show the importance we attach to domestic production, draw us closer to members and improve our service quality.

In cooperation with Istanbul Anatolian Side Organized Industrial Zone, we organized a seminar on “Energy Efficiency

Practices and Funding in the Industries” in Tuzla, on March 24, 2016.

Shortly after, on April 12, 2016, we co-organized the R&D Reform Package Information Meeting with the Ministry of Science, Industry and Technology Istanbul Provincial Directorate and İSTOÇ.

We always hold improvement of SMEs' role and effectiveness in the economy, and increasing their competitiveness and added value, in high regard. With this vision in mind, İCI coordinated the briefing on "KOBİGEL-KOBİ Development Support Program" held on April 15, 2016.

We continue to work on the employee-employer disputes in professional life and solution suggestions, in partnership with the Ministry of Justice. We take concrete steps in this regard: It is nice to see a large turnout of industrialists at our seminar on "Reconciliation Culture in Business Law, Burden of Proof and Evidence", held in cooperation with İkitelli Organized Industrial Zone on April 16, 2016.

Another activity aimed to support the domestic production, which is crucial to us. As you know, in January, we have brought together industrialists and Third Airport representatives. In a parallel event, on April 8, 2016, we organized the “Ministry of Health is Meeting With Local Producers” meeting, with the participation of Mr. Mehmet Müezzinoğlu, Ministry of Health. Our activities will expand to other industries.

As previously announced, in August 2015, ICI launched the CRM (Customer Relationship Management) project as part of the “customer-oriented approach”, aiming to keep all the member data and information updated, establish effective communication with members and develop new products and services built on the collected data. The project outcomes proved satisfactory.

For example, back in August 2015, only 6,992 e-mails were delivered to their destination addresses, which increased to 14,321 smooth deliveries following the said updates, with a 104 percent increase rate.

Address updates also dramatically reduced the number of returned magazines that were delivered for members, from 442 to just one in April.

As part of the CRM project, we obtained the most detailed and updated information on 2,470 members and therefore made a great stride towards our goal of “Direct Communication with the Right Person”. The newly collected data added to the database included our members' detailed job titles including finance executives, R&D specialists, foreign trade experts, human resources specialists. We will increasingly continue our efforts in this area.

Finally, I would like to make an announcement. As I already mentioned last month, ICI Assembly will make their first international visit to Iran from April 29 to May 1, 2016.

Chambers of commerce, industries and mines of Iran and Tehran will host our delegation. Our program includes exploration of potential trade and investment opportunities with Iran, as well as bilateral talks.

I would like to say that we wish to have fruitful, result-oriented and efficient meetings with tangible outcomes there. Dear esteemed assembly members, please accept my gratitude for your participation and your support to this trip.

As I conclude my remarks, I would like to once again welcome Mr. Bülent Tüfenkci, Minister of Customs and Trade and greet you all with love and respect.