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Opinions

Turkey-US Economic Relations: Problems and Prospects

US-Turkey relations gained a new momentum following the end of the Cold War. This new momentum was characterized by several diplomatic missions in the 1990s that have taken place in a bid to deepen and diversify Turkish-American relations. Year 1991 marks the beginning of a new understanding called "Enlarged Partnership". Following the visit of then Prime Minister Mesut Yılmaz and Foreign Minister İsmail Cem to Washington, D.C. in 1997, it was decided that the cooperation between the two countries be sustained under the caption of a "Five-article Agenda". In the year 1999, the "strategic partnership" concept was consolidated by mutual visits, which have enabled multi-dimensional and multilateral cooperation in Europe, the Caucasus, Central Asia and the Middle East.

From 2001 onwards, Turkish-American relations have gained a new pace with respect to two major developments. The first one is the September 11 terrorist attacks to the United States. This event has particularly redefined the relations around the issue of terrorism. These attacks have invigorated the strategic importance of Turkey in the eyes of the United States, in return, brought fresh support for Turkey from international platforms in its fight against terrorism. The second major development in 2001 was the Turkey's severe economic crisis. In this respect, the support of the United States within IMF framework as well as development of bilateral economic relations were crucial for Turkey to overcome its economic difficulties.

Prime Minister Bülent Ecevit's visit to the United States in January 2002 illustrates to what extent bilateral relations improved recently. Some important issues such as the ESDP (European Security and Defense Policy), Cyprus, the Aegean, the Middle East Peace Process, the Caucasus, relations with Europe, Turkish-Greek rapprochement, Iraq and Afghanistan were discussed during this visit. Turkey's decision to participate in the Peace Force stationed in Afghanistan had a boosting effect on efforts to enhance a common understanding of fighting against terrorism. More importantly, this visit gave birth to a new structure to discuss trade-related and economic matters in bilateral relations, namely, "Economic Partnership Commission".

In fact, the existing volume of trade between USA and Turkey cannot be considered substantive when the long historically existing political and military relations are taken into account. Exports of USA to Turkey were 3,25 billion US Dollars in 2001, which corresponds to 8% of Turkey's imports while Turkey's exports to USA is 3,12 billion US Dollars,

which is quite low within US imports. These trade figures already suggest that there is a lot more potential to be explored by both sides. The same argument can also be made for foreign direct investments: In 2001, Turkey received only 316,06 million US Dollars of US foreign direct investment which was quite low when compared to the level of US investments in other emerging market economies like Egypt, Indonesia and Argentina.

Signing a a Free Trade Agreement between Turkey and the US has been on the agenda of both countries for a while. The possibility of this option seems quite low taken into account Turkey's commitments to the EU within the framework of the Customs Union arrangement of 1996. . However despite this limitation, the EU may be an intermediary for Turkey in entering the US market, as the US and the EU maintain strong bilateral trade and economic relations. Trans-Atlantic economic relations offer Turkey immense opportunities at the governmental as well as private sector levels.

Therefore, the development of Turkey-US relations with a a long-term perspective could contribute to maintenance of sustainable growth in Turkey as well as enhance competitiveness of Turkish private sector in the world markets..

The first meeting of the Turkey-US Economic Partnership Commission that was held on the 26-27 February was a positive step to outline such long-term goals and near term opportunities for broadening and deepening bilateral economic relations. As a follow-up to this meeting, TIFA (Trade and Investment Framework Agreement) meetings in April focused on the possibility of establishing "Qualifying Industrial Zones" in Turkey. Technically, the proposed QIZ is supposed to be part of existing US-Israeli Free Trade Agreement.

On 20-24 June 2002, respectively, new bills regarding the QIZs in Turkey were introduced in the US House of Representatives and the Senate. The main purpose of establishing QIZ is supposed to enable free trade with no duty and no quota advantages in all industrial sectors. However, according to this bill, textile, footwear, handbags, luggage, flat goods, work gloves, leather wearing, and any article that the President determines to be import-sensitive will not be eligible for duty-free entry into the United States under the QIZ program. Textile and clothing, two sensitive sectors for both sides, are among the major exporting sectors in Turkey. The level of import duties applied by the US to the labor intensive industrial products is quite high and the share of Turkey in these categories is negligible when compared to the Far Eastern countries whereas the US import tariffs for high-tech products are either considerably low or zero. There are also no import restrictions for these sectors.

Consequently, exclusion of Turkey's top-list export items from the concerned bill renders the QIZ program fruitless for Turkish industrialists, especially in the short run. The lobbying activities of Turkish private sector are continuing with an aim to inform the American side about the concerns of Turkish side for the location as well as the coverage of the eligible products of these zones.

At this stage it is clear that in order to elevate the trade and economic relations to the level of political relations, new strategies have to be developed by both sides.

However, until now, Turkey-US economic relations have been shaped around the existing problems. While the Turkish side particularly focuses onits problems with quota and anti-damping policies of the United States that restrain access to the American market in Turkey's most favorite sectors; the American side complains about the obstacles before entering the energy, telecommunication and other high-tech as well as agricultural sectors in Turkish market. In such a situation, both sides ask more reconciliatory approach from the other.

For the peace and security of the world Turkey and the U.S. have worked together several times in many places like Korea, the Persian Gulf, Somalia, Bosnia-Herzegovina, Kosovo and lately Afghanistan. At this stage it is clear that in order to carry the trade and economic relations to the level of political relations, new strategies have to be developed by both sides instead of focusing on existing problems for the future prosperity of Turkey-US economic relations. In this respect short-term solutions will bring only minor contributions and they will not be long lasting if a long-term perspective does not accompany them. Hence, new alternatives should be chosen after seriously scrutinizing the sensitivities of domestic markets and business communities in both countries.

Capital Punishment and Cultural Rights: Lingering Barriers to Accession Negotiations with the EU

Turkey has officially been recognized as a candidate state at the Helsinki Summit of the European Union Council on 10-11 December 1999. This decision in Helsinki was an important turning point for EU-Turkish relations and has since then provided a legal and political ground as well as a "sense of legitimacy" to the demands for certain political and legal reforms and to a set of constitutional and legal amendments in Turkey.

Like all other candidate states, Turkey must carry out certain reforms on the basis of its membership strategy to the EU. An important step of the "pre-accession strategy" on the path to EU membership is the "Turkish National Program for the Adoption of the European Union Acquis", prepared by Turkey, in reciprocation to the "Accession Partnership Document", prepared by the EU.

Among all the topics covered by the "Accession Partnership Document" and laid out by the "National Program", the "political criteria" is the most important one. Indeed, both documents contain a series of legal reforms that aim to achieve conformity with the Copenhagen criteria and constitute a pre-condition to launch accession negotiations with Turkey for full membership.

Necessary legal reforms in this field have been listed in the Accession Partnership Document under the headings of "short-term political criteria" and "medium-term political criteria". Among these reforms, the most important and controversial fields have been: "abolishment of capital punishment", to "remove any legal provisions forbidding the use of mother tongue on TV/Radio broadcasting" and to "ensure cultural diversity and guarantee cultural rights for all citizens".

Capital Punishment

A solution in line with the constitutional amendment of October 2001, which would legally abolish death penalty with the exception of "war, imminent threat of war, and acts of terror" would still not be in conformity with the Protocol No. 6 of the European Convention on Human Rights.

A formula that could be adopted is to amend the Turkish Penal Code and relevant laws and abolish death penalty except for the cases of war and imminent threat of war. In this case, the sanction of "capital punishment" in laws would be abolished, but this penalty would continue to exist in the Articles 126 – 127 – 129 – 131 – 133 and 137 of the Turkish Penal Code which are related to the cases of war and imminent threat of war.

Nonetheless, this formula is not sufficient, either. There is a very strict Europe-wide attitude on the matter of death penalty. Indeed, not only has there been any single country in the Council of Europe, with the exception of Turkey, that has not signed Protocol No. 6, but recently the Committee of Ministers of the Council of Europe has also prepared Protocol No. 13 which aims to transform Europe into "a space where capital punishment is abolished completely". This Protocol, which provides the "complete abolishment of death penalty, even in cases of war and imminent threat of war", has been opened for signature for all member states as of May 3, 2002.

Consequently, amendment of the Turkish Penal Code and abolishment of the death penalty once and for all as in the rest of the whole European space would also be in line with the ongoing implementation and the de facto situation in Turkey since 1984.

The punishment that should replace the "death penalty" upon its elimination from the Turkish Penal Code and other laws also need to be debated. At this point, two formulas may be considered; where there are provisions for death penalty in Turkish Penal Code and other laws, "capital punishment" can be replaced with "life-imprisonment". Furthermore, in order to harmonize other provisions of the Turkish Penal Code and relevant sanctions, other punishments formerly arranged as "life-imprisonment" in the Code could also be replaced with "provisional heavy imprisonment".

A second formula that could also be implemented is — although not observed in other European countries— the replacement of capital punishment with "heavy life-imprisonment".

By this amendment, new conditions for execution and implementation would be brought for this imprisonment and at the same time public conscience would be eased in short term. In this framework, the aforementioned "heavy life-imprisonment" is also included in the Turkish Penal Code Draft, which is still held at the Turkish Grand National Assembly and is different from life-imprisonment only in terms of the regime it is subject to, serving terms and parole periods.

Cultural Life and Individual Rights

Although the issue of "removal of any legal provisions forbidding the use of mother tongue in TV/radio broadcasting" which is among the "short-term political criteria" of the Accession Partnership Document is not explicitly addressed in the "National Program", the sound thing to do in this field is to amend the Law on the Foundation and Broadcasting of Radio and TV Stations, dated 13.4.1994 and No. 3984.

At this point, the Law shall be amended in a way to bring freedom of broadcasting in a language other than Turkish, and supervisory guidelines that would ensure "the exercise of this liberty within the boundaries set in the National Program", Article 3 of the Constitution and shall be set in place.

"The protection and guarantee of national minorities" has now become a matter of international law. The Framework Convention for the Protection of National Minorities and the European Charter on Regional and Minority Languages are the two legal documents that regulate this field. Both documents contain various rights of minorities within states as well as provisions to protect and guarantee these rights.

But neither one of these documents contains any provisions as to who or which groups are "minorities" living in a country, and each state has the authority to specify "which groups are minorities living in its territory" and to confine the area of application of such provisions to these groups. Indeed, a great majority of the political parties point to this matter in their communiqués, and state that "the Framework Convention contains no definition of a national minority and that each State has the authority to specify which group is a minority" and in this way they do determine who "their minorities" are.

In this respect, Republic of Turkey has defined the minority groups in the country as "religious minorities" and specified their political legal status with the Lausanne Treaty, which remains unchanged until now.

In this case, "minority rights" which could be valid for Turkey is only viable for "religious minorities" and not for ethnic, lingual or sectarian differences. Nevertheless, the "Accession Partnership Document" of 4 December 2000 also mentions "ensuring cultural diversity and guarantee cultural rights, for all citizens". What Turkey needs to do in this process is not to recognize "minority rights" but "cultural rights" as "individual liberties".

The right to learn those languages traditionally spoken in Turkey can be implemented in two dimensions. The duty to prepare the necessary environment for the exercise of this right can be either given to the State or left only to the "individual initiatives taken by the private enterprise".

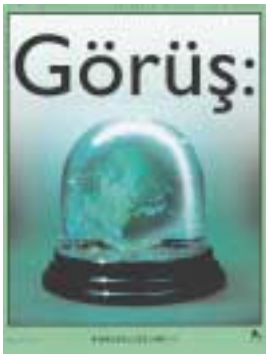
By assuming this obligation, the State would obtain a two-sided obligation. First and foremost, the State must abolish all restrictive legal provisions. In addition to this, it must personally engage in positive actions for and support the "learning of languages traditionally spoken in Turkey", provided that there is a demand within the scope of the "right to education". In short, the State must fulfill its certain "positive obligations". This obligation can be fulfilled by including elective courses within the general curriculum — and without hindering this curriculum — or by arranging certain courses and programs under supervision and control.

The other solution is to transfer this obligation completely and exclusively to the "private enterprise", provided that there is demand. In this case, private enterprise would prepare the environment for the exercise of this right by establishing "places of instruction" or "courses". In addition to abolishing all kinds of restrictive legal arrangements, the duty of the State in this field would be limited to supervision and control.

To sum up, the necessary legal amendments should be materialized as soon as possible to eliminate these two lingering barriers to start accession negotiations with the EU.

Publications

Görüş Issue 51 (May-June 2002)



The cover theme of the 51st issue of Görüş, TÜSİAD's bi-monthly journal, is "Globalization" and accompanying problems. Several dimensions of globalization and its implications for Turkey are evaluated by leading experts. The Chairman of TÜSİAD, Tuncay Özilhan in his article asserts that the EU is the real gate to the global world and it will determine the future destination of Turkey.

In this issue, economist and journalist Faruk Türkoğlu discusses the critical turning points of globalization that has penetrated all over the world since the last quarter of the previous century. Researcher Bülent Gündoğdu presents the results of a research that contains the economic, technological and cultural impacts of globalization. Prof. Ahmet Arslan discusses the advantages and disadvantages of being an Islamic country vis-à-vis the impacts of globalization, particularly the possibility for Turkey to be a stable and secular model in post-September 11 conditions. Management consultant Emre Erkut gives information about the transformation of the language as a result of the globalization. Assis. Prof. Esma Durugönül evaluates the concept of migration within the context of globalized environment.

Besides the problematic of globalization, this issue contains separate sections: Prof. Beşir Atalay, the Chairman of the Board of ANAR Research, presents the results of a survey conducted with the members of Turkish Grand National Assembly on recent political developments. Prof. Haldun Gülalp evaluates the problem of traffic within the context of democratic culture and mutual respect. Prof. Baran Tuncer analyzes the current macroeconomic picture of Turkey and presents his prospects for the near and distant future. In this issue, one can also find an interview with a prominent American Ambassador: Thomas Weston reflects the concerns and the position of the American side on the Cyprus question.

Private View (Spring 2002)

The Spring 2002 issue of Private View, TÜSİAD's international journal published in English, focuses mainly on Turks living in Germany under the heading of "German-Turks". Besides the articles of İlter Turan of Bilgi University on Turkey's accession to the EU and Güven Sak of Ankara University on Turkey's economic restructuring, cover story articles are written by experts and provide penetrating analyses on the subject concerned.

In his comprehensive and thoughtful essay, Faruk Şen gives an account of the Turkish Gastarbeiter from their arrival to Germany. He discusses the obstacles they have faced but also records their considerable accomplishments. He argues that Turkish migrants have integrated with German society.

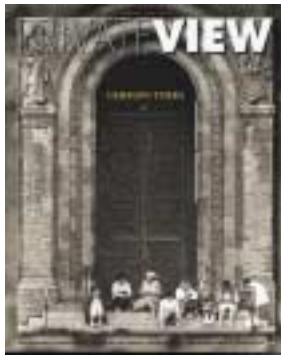
In his incisive article, Ayhan Kaya argues that identities are no longer exclusionary and fixed. He states that the recent changes in the German citizenship law will facilitate the emergence of a German-Turkish identity.

Onur Öymen reflects on the long history of relations between Turkey and Germany and reminds everyone of the common interests and periods of fruitful cooperation between two countries in his article. He argues that Turkish-German relations can become closer if Germany is more supportive of Turkey's quest for EU membership.

Bianca Kaiser-Pehlivanoğlu provides an analysis of German foreign policy especially with respect to European integration. She also analyzes the role of Germany with respect to Turkey's accession to the EU.

In his article, Arnold Hornfeld presents a history and numerical summary of the economic relations between Germany and Turkey. He argues that there exists a strong bond between two countries that benefits both sides.

In his sweeping account of the social dimensions of the migration, Aytaç Eryılmaz tells the story of the Turkish migrants' journey to Germany. He points at the adaptation problems and states that after forty years many problems exist and most Turkish migrants will be unlikely to succeed in their new homeland.



Perspectives on Democratization in Turkey and the EU Copenhagen Criteria: Capital Punishment & Cultural Life and Individual Rights

This report on the abolishment of capital punishment and cultural life and individual rights is the fourth one of the series of "Perspectives on Democratization in Turkey and Copenhagen Political Criteria –Views and Priorities-" published in May 2002. The report was prepared by Prof. Dr. Süheyl Batum from Bahçeşehir University, the author of the previous two reports of the series.

The report is divided into two chapters. In the first chapter, the evaluation of the legal dimension of Turkey's accession process to the EU is followed by the presentation of the basic contours of the TÜSİAD position on capital punishment and cultural life and individual rights with reference to international law and in comparison with the practices from some European countries. In this chapter, a couple of solutions have been proposed in capital punishment, broadcasting and learning in mother tongue.

The second chapter contains a draft law, which proposes to remove capital punishment from national legislation by amending the Turkish Penal Code, Anti-Terrorism Act, Military Penal Code and other laws as well as a draft regulation on the broadcasting in mother tongue by amending the Law on Broadcasting (RTÜK).

Turkey's Membership to the EU and its Possible Effects on FDI and Economic Growth

TÜSİAD
TÜRKİYE'NİN AB ÜYELİĞİ, DOĞRUDAN YATIRIMLAR VE EKONOMİK BÜYÜME
TÜRK SANAYİCİLERİ VE İŞADAMLARI DERNEĞİ
İÇİNDEKİLER
Sunuş

This report has been prepared by Prof. Asaf Savas Akat of Bilgi University. It analyzes the effects of Turkey's possible membership to the EU in economic terms by foreseeing the possible increase in the foreign direct investments for achieving sustainable rapid economic growth.

Throughout the study, a comparative approach was chosen. International economic experiences such as Ireland, Spain and Poland were stressed for a better understanding of the current situation in the Turkish economy.

In the first part, the historical analysis of the Turkish economy was conducted. By showing the structural outline of the economy in transition throughout the republic, the strengths, the weaknesses and the main patterns in long term growth cycles have been examined. A comparative approach was chosen in relation with foreign trade and trade balances. In the second part of the study, the concept of economic growth is delineated with relation to foreign direct investments. Other country experiences were brought into picture in order to stress the importance of the increasing effects of foreign direct investments, especially in relation to the process of membership. It is indicated that after becoming member to the EU, through the in-flow of FDI at 2% level of GDP, per capita income in Turkey might increase to 9000 $ in 2012. The last part consists of a series of models that explores two main points; 1) what might happen if Turkey enters the EU or not under three possibilities namely the optimist, realist and pessimist scenarios which pre-supposes that Turkey becomes a member of the EU and 2) what might be the effects of this process in economic terms in relation to foreign direct investments. In this respect, supposing that the country has a stable political environment, the study concludes that although the foreign direct investments in Turkey would increase in the coming 10 years, a possible membership to the EU would have a considerably better effect on the economy no matter an optimistic, realistic or pessimistic scenario would be realized asserting that the cost of de-linking from the EU will be very higher in terms of FDI in-flow, thus economic growth.

Activities

The First High Advisory Council Meeting of 2002

The first High Advisory Council meeting of TÜSİAD

TÜSİAD's first High Advisory Council meeting of 2002 was held on July 19, at İstanbul Sabancı Center. The President of High Advisory Council, Mr. Muharrem Kayhan and the Chairman of the Board of TÜSİAD, Mr. Tuncay Özilhan, delivered opening speeches of the meeting. At the session closed to press, Prof. Dr. Asaf Savaş Akat of Bilgi University made a presentation on "Turkey's EU membership, Direct Investments and Economic Growth".

Tuncay Özilhan at High Advisory Council meeting

In his speech, the Chairman of the High Advisory Council of TÜSİAD Muharrem Kayhan evaluated the recent developments on Turkey's membership to the European Union. Kayhan said that for the past ten years TÜSİAD underlined the importance of "reform process" with the concern that Turkey would not catch up the developments in the world unless the reform process would be accomplished. Kayhan also told that the 'economic reforms within the context of the stand-by agreement' and the 'EU harmonization process' meant the same thing to TÜSİAD: He stressed that both are the same and part of a development program, which will carry Turkey to contemporary conditions.

The Chairman of the Board of TÜSİAD Mr. Tuncay Özilhan made a speech pointing out the adversary effects of political instability on the economy. Özilhan underlined that the economy is being affected by the political instability and warned about a possible disaster unless necessary measures are taken. Özilhan noted that the Prime Minister's health and a variety of contradictory views on the reforms crucial for Turkey's membership to the European Union have caused concerns in the markets. Stating that the Turkish economy could not tolerate a 'second negative growth', Tuncay Özilhan underlined that it is impossible for Turkey to struggle against a new unemployment wave, which will be created by the economic recession.

Expressing his concerns on the developments about Turkey's membership to European Union Tuncay Özilhan evaluated the lobby activities that TÜSİAD carried out for Turkey's membership to the EU since many years. Özilhan said that TÜSİAD finally persuaded the European business communities to support Turkey's membership, however Turkey could not provide the internal political consensus needed for full membership.

Prof. Asaf Savaş Akat at the meeting

TÜSİAD celebrated "May 9 Youth and Europe Day"

TÜSİAD celebrated May 9 Europe Day, under the name of "May 9 Youth and Europe Day" and came together with young people in a series of activities in İstanbul. The Chairman of the Board of TÜSİAD Tuncay Özilhan, Head of Employment and Social Affairs of the EU Commission Giorgos Glynos and EU Deputy Secretary General Ambassador Volkan Bozkır made the speeches of the celebration presented by Ali Kırca.

In his speech Tuncay Özilhan underlined that a very critical period started for relations between Turkey and the European Union and added unless a date is determined for EU negotiations until the end of 2002, Turkey's membership will be postponed to an indefinite future and the economic program and structural reform process will not give the desired result. Mr. Özilhan also evaluated the relation between macroeconomic stability and the membership process to the European Union. He stressed that foreign direct investments, which seek stability and trust, will prefer to go to other EU member and candidate countries rather than Turkey whose membership perspective is indefinite. He underlined that in this case, the solution of the unemployment problem will get more difficult and social instabilities will increase. He added that the EU standards and requirements are road maps for Turkey and these road maps will help the state and the political will to solve problems. He declared that there is no reason to take offense or regard this as a burden as most of the member countries experienced the similar process and reached their current level.

Tuncay Özilhan recalled that Turkey should fulfill the Copenhagen political criteria in order to optain a schedule for EU membership. Stating that Turkey needed radical changes to be a member to the EU, Özilhan said that some circles, which benefited from Turkey's current condition, are against EU membership. Özilhan, who stated that there are no more sources in Turkey to be wasted by these circles stressed that nobody has the right to overlook hopes and ideals of the country and young people, and to consider their own rights before the nation's rights.

EU Commission Member in charge of Employment and Social Affairs, Giorgos Glynos, pointed out that EU gave great importance to ideas of young people since the beginning and said he is very pleased that TÜSİAD focused on the issue of youth on Europe Day. Noting that the EU is at the crossroad and should progress, Glynos said that the EU should find realistic answers for some important questions about the future of young generations.

EU Deputy Secretary General Ambassador Volkan Bozkır reminded that the 43-year history between the EU and Turkey was hilly and said Turkey is now ready for EU membership with its economy, politics, universities and citizens. Bozkır said that four issues would be indicators in the determination of membership negotiations. They are the rights of broadcasting and learning in mother tongue, lifting capital punishment and emergency rule. He concluded that the accession negotiations could start if these issues are solved.

The European Voices Choir and the ballet-dancer Tan Sağtürk also took stage in the celebration. TÜSİAD's celebrations ended with Ali Kırca's forum on young people's thoughts about the EU. Around 30 secondary education students participated in the forum. They discussed the benefits and the costs of Turkey's EU Membership.

Within the context of celebrations of May 9, TÜSİAD also organized a special article contest so as to underline the concept of Europe. The competition, supported by the Ministry of Education, was titled as "How do you dream the position of yourself and your country in the Europe of future?" Hundreds of students from all over Turkey attended the competition. The students, awarded as the winners, got their prizes at the ceremony organized at the celebration.

TÜSİAD also prepared a publication covering the activities of Europe and Youth Day.

Award Ceremony at Youth and Europe Day

TÜSİAD Seminar on Tax System

Turkey has introduced various reform packages for tax system since 1950s. These reform efforts emerged either as a consequence of political actions or as conditions of international loans. Turkey is now standing at a crossroads, as it intends to complete an intense structural reform program. As part of this program, Turkish Government and the World Bank in mid-2001 agreed upon a comprehensive reform agenda for financial and public sector reform. TÜSİAD is in the midst of devising a medium term strategy for improving the tax system, which comprises the core of reform efforts in the structural fiscal policies and hence, public sector reform. During this process, the related parties such as the business community, academicians, international organizations, bureaucracy and the government officials should definitely exchange views and interact. It is this acknowledgement that led TÜSİAD to organize a conference on "Reform in Turkish Tax System" in Istanbul, on June 11, 2002.

The speakers of the second session

The opening speeches of the conference were delivered by Tuncay Özilhan, the Chairman of the Board of TÜSİAD and Akif Hamzaçebi, General Director of Revenues in Ministry of Finance. Tuncay Özilhan briefly stated the importance of the tax reform in the framework of the on going economic program and underlined the adverse effects of the problems that prevent the taxation system from being just, inducing capital accumulation, enhancing international tax competition, contracting unregistered economy, enhancing income distribution and building confidence in the legitimacy of taxes.

Experts and policy designers in this conference addressed tax issues in two sessions; namely, "Designing A New Tax System", and "What Should Be Turkey's Strategy For Reforming The Tax System?"

The conference addressed all problems relevant to the reform process in tax system and produced concrete results by initiating a report called "The Need For Reconstructing Turkish Tax System: Problems and Policy Options", which is expected to be finalized by the end of this year. TÜSİAD Taxation Working Group under the Economic and Financial Affairs Committee of TÜSİAD finalized its comprehensive assessment of Turkish Tax System and the work was published as "TÜSİAD's Position Papers No: 7.

Conference on Turkish-American Relations: Parameters for a New Era

As part of the one-week program that TÜSİAD Washington Representation organized in Istanbul and Ankara with the participation of 4 think tank experts from four think-tanks based in Washington, DC, namely Doug Bandow of CATO Institute, Fiona Hill of Brookings Institution, John Hulsman of Heritage Foundation and Judith Kipper from CFR/CSIS, a conference entitled "Turkish-American Relations: Parameters For a New Era" was held on May 15 in Istanbul, where the guest scholars were joined by three speakers from Turkey; Ambassador İlter Türkmen, Former Minister of Foreign Affairs; Üstün Ergüder, Director of Istanbul Policy Center at Sabancı University; and Şule Kut, Professor at Bilgi University.

Following the opening speech of TÜSİAD Washington Representative Abdullah Akyüz, the Chairman of the Board of TÜSİAD Tuncay Özilhan covered different aspects of Turkey-US Relations. Mr. Özilhan pointed out that contrary to the superficial predictions, the strategic cooperation between two countries has become multifaceted since the end of the Cold War. He added that in the aftermath of the vicious attacks of September 11, two nations found more common ground to work together.

In his speech, Osman Birsen, the Chairman of İstanbul Stock Exchange (İSE), underlined that since the tragic events of September 11, all political parameters had changed and Turkey's strategic importance was once more underlined. He stressed that foreign investors have their reasons to keep their confidence with İSE that maintained its stability at times of economic crisis.

In the next part of the conference, two consecutive sessions in which, American and Turkish experts analyzed the different dimensions of Turkish-American relations were held.

The Fourth Technology Congress and Awards

Technology Awards Ceremony

The Fourth Technology Congress that has been organized by TÜBİTAK, TTGV and TÜSİAD annually since 1997, was held at Swissotel Istanbul, on May 21, 2002.

With the objective of broadening public awareness with regard to the development of the innovative products and raising the technological level of the country; the theme of the fourth Technology Congress was "Global Competitiveness Through Innovation and R&D". Prof. Namık Kemal Pak, the President of TÜBITAK, Prof. Nevzat Özgüven, the Vice President of TÜBİTAK; Tuncay Özilhan, the Chairman of the Board of TÜSİAD; Dr. Fikret Yücel, the President of TTGV delivered the opening speeches of the congress.

The main theme of the congress was discussed in 5 sessions, with a total of 15 speakers, specialists in their respective fields, participating from Turkey and abroad. Thomas Hatzichronoglou, Principal Administrator for Globalisation Issues of OECD; Lutfi Yenel, CEO of Alcatel-Teletas; Dr. Paul McMenamin, Vice-President of Nortel Networks, Metro Optical Product Development, Ireland; Prof. J. C. Ferraz, General Director of Inst. of Economics, Federal Univ. of Brazil were some of the speakers of the sessions.

On the eve of the Congress, Technology Awards ceremony took place. Mr. Tuncay Özilhan, Dr. Fikret Yücel, and Prof. Dr. Namık Kemal Pak presented the Technology Awards to the winner companies.

In the category of large-scale enterprises, the jury decided not to give the Grand Prize to any of the candidates this year. The "Jury Award" was given to Komsan Compressor and the Merit Prizes went to the small-or medium-size enterprises; Inform Electronic, Infotron and TEPA Companies.

TÜSİAD Visit to Northern Cyprus

A delegation composed of the members of the Parliamentary Affairs Committee of TÜSİAD visited Turkish Republic of Northern Cyprus on 18-19 April 2002. During this two-day visit, the delegation presided by Mustafa V. Koç, the Vice-Chairman of the Board of TÜSİAD and the President of the Committee met with the State officials and representatives of political parties of Turkish Republic of Northern Cyprus to exchange views on the current state of the negotiations on Cyprus and convey the opinion of TÜSİAD on the issue.

On the first day of the visit, the delegation met with President of Republic Rauf Denktaş, Prime Minister Derviş Eroğlu, Deputy Prime Minister Salih Coşar and the Ambassador of Turkey Hayati Güven. The delegation also attended the reception organized by Ambassador Hayati Güven. The delegation had a dinner meeting with the government officials, representatives of political parties and of local business community in the evening.

On 19 April, the delegation held a visit to the Parliament of TRNC and met with the President of the Parliament, Vehbi Zeki Serter. Following that meeting, the delegation had another meeting with the members of political parties represented in the Parliament.

During these contacts, the delegation underlined the importance of finding a mutually satisfactory solution to the problem especially taking into consideration the fact that the accession process of Turkey to the EU is at a critical juncture. During the visit, the improvement of investment environment, abolishment of red-type in Northern Cyprus, energy projects and economic relations between Turkey and TRNC were scrutinized.

EU Representation

In parallel to the implementation of Accession Partnership for Turkey, TÜSİAD monitors closely the process of harmonization with the EU. TÜSİAD EU Representation is coordinating TÜSİAD Executive Board visits to EU capitals and contributing to the Committee for Harmonization with the EU in Istanbul. In Brussels, TÜSİAD has amplified the participation of the Turkish experts to various working groups of the European Commission and UNICE. The institutional reforms that were debated by the Convention on the Future of Europe and the European Council meeting in Seville (21-22 March), were also the main issues of focus for TÜSİAD in Brussels.

TÜSİAD Brussels staff participated to various meetings on the EU affairs and fora for the candidate countries. Researchers Serap Atan and Gülçin Karadeniz prepared reports on EU-Turkey financial co-operation, Accession Partnership for Turkey, state of the enlargement negotiations, FDI flows in the candidate countries, e-trade, EU co-operation programs and the customs union.

During this period, TÜSİAD Representative Dr. Bahadır Kaleağası participated as speaker to the conferences organized by the University of Lyon, University of St-Louis, European Business Summit Forum Europe and the Konrad Adenauer Foundation and took part in the Euro-Turkish Dialogue meeting in Florence and the Go-Digital initiative of the European Commission. He also joined TÜSİAD Chairman Tuncay Özilhan, President of External Relations Committee Şadi Gücüm and Secretary General Haluk Tükel for the UNICE Council of Presidents Meeting in Seville (13-14 June).

UNICE Council of Presidents Meeting in Seville

One week ahead of European Summit in Seville, the presidents of 34 industrial and employers' confederations of Europe – UNICE's highest decision-making body – discussed key subjects on the EU agenda on 13-14 June 2002. TÜSİAD delegation to Seville was composed of Chairman of the Board Tuncay Özilhan, President of External Relations Committee Şadi Gücüm, Secretary General Haluk Tükel and the EU Representative Bahadır Kaleağası.

Highlights of the debate were:

- EU enlargement: substantial progress has been made but additional efforts are necessary to find satisfactory and balanced solutions to the still open questions, in the candidate countries. Decisions in Copenhagen at the end of 2002 should be based on each country's merit and not only on political considerations. As far as Turkey is concerned, the membership negotiations should start as soon as this country fulfils the Copenhagen political criteria.

- **Social dialogue:** UNICE was to enter into discussions with ETUC in view of defining a work program covering a period of three years maximum.

- **Sustainable development:** business commits itself to continue developing new technologies and resources.

- **Convention:** the Convention on the future of Europe must deliver recommendations that will ensure a business-friendly environment in which companies can operate and compete on a level playing-field and adapt to the increasing challenges that globalization brings.

In the meeting, Mr. Özilhan underlined that TÜSİAD has been recently taking increased proactive stance to promote accession to the EU in Turkey through numerous publications, conferences, position papers and announcements in newspapers. He stressed TÜSİAD's belief that Turkey's future lies with the European Union and TÜSİAD's awareness that to move such a big country towards the EU membership requires time, without however loosing momentum. In addition he declared that Turkish public's support to EU membership is at level of 74% and there is now a tremendous public pressure and political action to complete the reform agenda. He also added that Turkey has the strength necessary for EU membership and Turkey's membership, given her young population, high entrepreneurship and multicultural structure, would be an invaluable asset to the EU's global aspirations. Mr. Özilhan concluded that the challenges presented during Turkey's pre-accession process require that the EU assume a part of the responsibility and the decision to fix a date for starting accession negotiations by the end of this year is the most determinant step to be taken by the European Union at this stage.

US Representation

TÜSİAD-US hosted a roundtable on April 2nd, entitled, "Different Views, Different Tunes: Politics And Struggles After September 11", featuring Mr. Soli Ozel, Advisor to the Chairman of TÜSİAD Board. He reflected his views on shifting political dynamics in Turkey after September 11 and prospects on the EU-Turkey relations. In addition, TÜSİAD-US and the ARI Foundation on April 11 hosted a panel discussion, entitled, "Caspian Energy: Economic, Political and Environmental Considerations" in the Congress. The event featured Justin Friedman, Special Assistant at the Office of Caspian Basin Energy Diplomacy, Department of State, and Jayhun Mollazade, President of the U.S.-Azerbaijan Council.

The most prominent event of this period was a one-week program on May 12-19, in both Istanbul and Ankara, with the participation of 4 think tank experts from four think-tanks based in Washington, DC, namely Doug Bandow of CATO Institute, Fiona Hill of Brookings Institution, John Hulsman of Heritage Foundation and Judith Kipper from Council on Foreign Relations/CSIS. TÜSİAD-US on June 6 hosted a luncheon panel discussion on Turkish-American relations as the follow-up meeting of a one-week trip to Turkey in May 2002. The speakers discussed issues such as NATO, EU, Cyprus, Turkish-Russian relations, and Iraq.

Another major event was that TÜSİAD-US held a brainstorming meeting on May 21, in a bid to review its 3 yearlong mission and activities and have outsider comments about future projections.

On June 18, the office co-hosted an event with Turkish American Business Forum on Qualified Industrial Zones (QIZs). Mr. David M. Birdsey, European Regional Director of USTR briefed the audience about the recent legislative and procedural developments in the preparations for establishment of QIZs in Turkey. The staff also prepared a memo on QIZs in light of the discussions that took place in this meeting.

The Washington office continued to follow closely the new formulations of US foreign policy towards violence in the Middle East and the latest developments in US-led war against terrorism. In this regard, the office attended meetings at Congress and various think tanks. The Washington Office continued to distribute Selected News on Turkey, which informs the U.S. audience on developments in Turkey on a weekly basis and hold several one-on-one contacts.

Ankara Representation

TÜSİAD Ankara Representation continued to represent TÜSİAD in Ankara by issuing several reports, organizing meetings and taking several initiatives with a view to convey Turkish private sector's views on the critical agenda of Turkey. The representation continued monitoring the legislation process in the parliament by attending the committee meetings and the General Assembly.

The representation took part in the coordination of the "Article Contest" within the frame of "Youth and Europe Day" activities. Over 200.000 essays of the secondary education students from nearly all provinces of Turkey were collected and evaluated.

The representation coordinated and contributed the Ankara Program (15-17 May) of the activity of TÜSİAD Washington Representation. The event included several meetings and contacts between the public authorities and the guests from the think-tank organizations of USA.

During this period, the representation staff attended the subcommittee meetings of YOİKK (Coordination Committee for the Improvement of Investment Environment in Turkey) coordinated by the Prime Ministry. Moreover Ankara Representative Mr. Zafer Yavan and Deputy Representative Mrs. Derya Sevinç attended a couple of meetings and seminars within public and civil authorities such as; National Health Project meeting at Ministry of Health; QIZ meetings at the Under-Secretariat of Foreign Trade; Industrial Technology meeting at the Turkish Patent Institute; a TÜBİTAK meeting on EU programs; GSP seminar at Under-Secretariat of Foreign Trade; FIAS meeting on Investment Promotion at EU General Secretariat and UNICE meetings in Brussels.

Moreover, the representation carried out many contacts with various public and foreign mission authorities regarding the priorities of TÜSİAD's agenda.

MANAGEMENT

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