



# We shall overcome

We are experiencing a rather difficult time in our country. Turkey is in the midst of a severe economic crisis, which cost us in revenue, jobs and assets. There is a wide consensus that the culprit behind this "imposed cost" is the politicians' deep-seeded reluctance to implement necessary structural reforms envisaged in the macroeconomic adjustment program that they had undertaken at the end of 1999. Therefore I believe that our primary problem is political; our economic troubles are a function of a dysfunctional political system that diverges from the real needs of the country. If the country wishes to fulfill its own promise of greatness and become prosperous, the political system should be changed.

As we all know, Turkey signed another stand-by agreement with the IMF to fight against the twin crises experienced in November and February. The long awaited agreement came on the 15th of May with a satisfactory \$15 billion supplementary package. The high amount Turkey received is proof of the severity of the economic problems that surfaced after the crises. The remaining tranches of the credits were to be released upon the implementation of a schedule of structural reforms. In this sense the new economic program diverged from the framework of a classical disinflation program and aimed to restore confidence in both domestic and international markets via intense structural reforms and adjustments. In the previous

program the fight against inflation and the implementation of structural reforms were expected to occur simultaneously. The new economic program envisages a sound macroeconomic environment only after serious structural transformation has taken place.

It is a relief that the Turkish society has a strong desire not only to rejuvenate the economy through structural reforms but also to reconstruct the social, political and legal framework of the country in light of the EU accession process. Therefore, we feel hope, not despair. The developments of the past two months allow us to feel optimistic about the future of our country if we carefully manage the economic and social challenges of the next few months. In a way, the depth of the crises has prepared the ground for new opportunities.

For instance, although the crisis moved us away from the economic criteria of Maastricht, the response that it triggered, the laws that have been enacted in Parliament with remarkable speed put us on the fast track to meet these criteria. Moreover, as we restructure our political economy, a return to the populism or the patronage-ridden habits of the past is becoming impossible.

Globalization, the economic and financial integration process among nation states has speeded up in the last two decades. During this period the opening up of the Turkish economy was a success story. Since the 1980s, Turkey has recorded significant progress in terms of

integration with the global markets and transition to a market economy. However, the expansion of public deficits coupled with high inflation prevented the achievement of consistently high growth rates throughout the 1990's.

In the aftermath of the twin crises it became clear that the Turkish private sector will once again carry the key responsibility in the transformation process. Liberalization of the economy, the rapid change due to globalization and the causes of the crises brought to light the contrast between the private sector and the public sector most glaringly.

The Turkish private sector has always proved its adaptability to change. Its dynamism, its organizational capabilities, its financial resources, its ability to attract the skilled and well educated labour force, its distance from the political patronage relations that dominate all aspects of public life, all make the private sector uniquely positioned to lead the country during these crucial years.

The country has a deeply rooted experience with a market economy that allows market mechanisms to operate freely. The competitive nature of the Turkish economy and the entrepreneurial spirit of Turkish businessmen are the defenders of free market practices. Of course, this does not mean that the private sector is well-equipped on its own to cope with change to ensure its own survival, irrespective of the state of the public sector and the country's economy. A globally competitive private sector cannot exist side by side with a slow, inefficient and poorly run public sector. Neither the government nor the business community can meet the challenges of the management of global interdependence on its own. Close cooperation between the two is needed. The success of the private sector largely depends on the existence of a globally competitive economy, in which a dynamic private sector and an efficient public sector work together like synchronized watches. Therefore, the real challenge is using the adaptability and vitality of the private sector as a driving force of change and transformation for the whole country. Although this task is by no means fully accomplished, there are examples of successive

initiatives in this direction.

On the other hand, the legislative and regulatory reforms, which have been delayed in the last decade, are being introduced to Parliament and enacted under a tight time constraint. The importance of this process should not be underestimated. The rising tension both in politics and in the markets should thus be seen as a natural consequence of the transition process. With its young and dynamic population of 65 million forward-looking citizens. Turkey has got the capacity to cope with the side effects of the desired transformation.

Turkey's market-based and liberalized economy, along with the dynamism of the private sector has put the country on an irreversible path. A strong commitment to sound macroeconomic policies and structural reforms will further strengthen our ability to weather adverse developments.

I sincerely believe that Turkey has the most advanced economy in its region and with its comparative advantages, has the potential to revive the historical Mediterranean trade routes as a bridge linking the east-west and south-north corridors. Thus, Turkey can contribute greatly to the development of trade in its area and help shape a much grander vision for the Eastern Mediterranean region to become a major potential market of the future.

Turkey can manage its exit from the economic crises and make its recovery sustainable by building a social consensus that will help shape a long-term plan that will put Turkey on a fast track in modernization, growth and liberalization. There is significant work to be done in order to increase efficiency, to achieve increases in production, investment and employment. The improvements will come gradually. Achieving these results requires the cooperation of all segments of the economy and society. In line with the rapid global economic and political changes and developments of today, Turkey is more ambitious than ever to undertake a more active role at the international level, taking into account its unique geostrategic location, tremendous potential and the record of progress it registered in the last two decades.