

Growing in stormy conditions

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ARZUHAN YALÇINDAĞ started her professional career in 1990 working in a variety of roles at several Doğan Group companies. In 2005 she was appointed the CEO of Doğan TV and Radio. In 2007, she was elected as the first female Chairperson of the Turkish Industrialists and Businessmen's Association and held this position until 2010. As of January 2010, she is the Chairperson of Doğan Holding. Ms Yalçındağ is also an active participant in civil society, serving on the boards of prominent Turkish NGOs, such as TEGV, KAGIDER, TÜSEV and the Aydın Dogan Foundation.

The global economy is rattling and rolling since the outbreak of the mortgage crisis in 2008. The recovery in the developed economies is weaker than once expected.

The sovereign debt problem in the EU is waiting to be solved, as new countries are dragged into the whirlpool.

On the other hand the situation in emerging markets is far better. The centre of gravity of the global economy is shifting. In the 1950s, the rich countries made up 65 per cent of the world economy. Their share dropped below 50 per cent before the global crisis and a further drop below 45 per cent is expected by 2030.

Turkey is one of the rare exceptions. Today, it is the 16th biggest economy in the world and aims to be among the top 10 by 2023. Politics has a huge impact on the economy. The current ruling party AKP has won the third election in a row. This consolidates political stability. The political and economic reforms carried out during this term has boosted confidence in the business climate.

Thanks to strong economic fundamentals, the impact of the global recession on the Turkish economy has been limited with strong growth driven by a very robust rebound in household consumption and private investment.

Looking over the medium term, the economy is confronted with a double edged sword: on the one hand, there is the risk of high inflation and a deterioration of financial stability. On the other hand, the measures to reduce these risks may result in a slow-down in economic activity. Sustaining high growth rates is an imperative for Turkey which together with financial and price stability necessitates timely and credible policy management.

The government and the Central Bank have a respectable record on economic policy management. We have to keep in mind that the robust growth in the last few years took place despite a tight fiscal policy stance. While the European countries are struggling with the sovereign debt problem, Turkey enjoys fiscal discipline. In the recently announced Medium Term Plan, the budget deficit is targeted to be 1 per cent and the debt to GDP ratio 32 per cent by the year 2014.

The bright outlook for Turkey rests on four pillars: a benevolent business environment, a rapidly expanding middle class, strong business ties within the neighbouring region and strong macroeconomic fundamentals.

Significant achievements in the investment

environment made Turkey a business hub for foreign investors. In the last 5 years foreign direct investment increased three fold.

Compared with the 27 EU countries, Turkey has the 4th largest labour force. Labour productivity is high and growing above increases in real wages. A strong work ethic, low absenteeism, a highly disciplined and qualified work force are important and beneficial characteristics of Turkey's work culture.

This benevolent business environment is coupled with a sizable domestic market driven by the purchasing power of an expanding middle class that is still eager to consume. Demographics are a noteworthy determinant of economic potential. Although population growth is slowing, the labour force and number of households are still growing.

The third pillar of the strong growth is international competitiveness. A proactive foreign policy is complemented by Turkey's strong cultural and historic ties in the wider region.

After the fall of anti-democratic regimes in the Middle East and North Africa, not only political systems, but the economic systems will come closer to Western values. With privileged access, Turkey has become a prominent investor in North Africa, the Middle East, Caucasia and the Central Asian Turkic Republics.

Here we have to admit that Turkey gained its international competitiveness through the reforms that have been implemented in the last decade during the EU accession process. Turkey still sends half of her exports to Europe and European accession is an indispensable target for us.

But of course the bright future for Turkey is not something that we can take for granted. There is a serious 'to do' list: First, to reduce the unrecorded economy. Second, to reform the tax system by lowering the rates and enlarging the tax base. Third, to decrease the import dependency of production and control the current account deficit.

A politically tough agenda is awaiting us as well. Terrorism is the most crucial issue in the country. Turkey will be able to overcome terrorism by social solidarity and political reforms. We will achieve a new level of political stability, democracy and social coherence by rewriting our constitutional framework with consensus. This will be a major element in sustaining the glorious economic achievements of last decade.