

“TURKEY’S INTEGRATION INTO THE GLOBAL ECONOMIC SYSTEM IN AN EFFECTIVE MANNER IS A MUST”

**An interview with the President of The Union of
Chambers and Commodity Exchanges of Turkey
(TOBB) M. Rifat Hisarcıkliođlu**



M. Rifat Hisarcıkliođlu is the President of The Union of Chambers and Commodity Exchanges of Turkey (TOBB), which is the largest non-profit business organization in Turkey, covering 365 Chambers and Commodity Exchanges. TOBB represents the country’s 1.4 million companies and acts as the most effective professional organization with a network of members reaching into all scale of businesses from different sectors, great to small in all regions in Turkey. Besides his professional career as a prominent businessman, Mr. Hisarcıkliođlu was elected as the President of the Union on June 26th 2001 and was re-elected in 2002, 2005, 2009 and 2013. Since August 2001, Mr. Hisarcıkliođlu has also been the President of the Foreign Economic Relations Board (DEİK), which aims to contribute to the efforts for improving Turkey’s external economic relations through Business Councils world-wide. Besides, he is also the President of the World Turkish Business Council (DTİK), which aims to create a strong consensus among the Turkish businessmen abroad and develop their commercial relations. Among many other administrative positions and memberships in international bodies, he is the Deputy President of EUROCHAMBRES since 2009, the Vice President of the Islamic Chamber of Commerce and Industry (ICCI), the Chairman of ICC-Turkey, the Chairman of The Ankara Forum, and the Chairman of The Istanbul Forum.



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Turkey's flourishing economic relations with neighboring regions constitutes an important pillar of Turkish foreign policy. How do you assess the developments in that realm in recent years?

A functioning economy is the guarantee of prosperity, peace and stability in domestic politics. Similarly, successful economic relations are also key to healthy bilateral and multilateral relations. The greatest proof of this is the European Union. As you know, the competition between Germany and France, which started with the rise of Prussia and then flared up with the German political union, continued until the second half of the 20th century. Nobody, at that time, foresaw that France and Germany, the enemy brothers of Europe, one day would develop their relations; but they did. The European Union's foundations were laid under the leadership of the European Coal and Steel Community (ECSC) and EURATOM; economic integration became the torch on the

road to peace. So the countries of the European Economic Community, now the European Union, calculated rightly that positive effective economic relations will have positive impact on politics.

In international relations, economics, when properly used, becomes an instrument that serves peace. It is obvious that economy has such an impact on Turkey's relations with its neighbors. In the near term, Turkey's relations especially with Iraq and Kurdistan Regional Government of Iraq (KRG) are remarkable and admirable. We are closely following this process. As of 2013, Turkey's foreign trade volume reached 12 billion dollars in Iraq. 11.9 billion of this figure is accounted for by exports; and imports forms only 146 million dollars.

Today, numerous infrastructure projects in Northern Iraq are carried out by Turkish contractors. There are around 1,500 Turkish companies in the region. 60% of them are operating in construction sector, while the rest of

them are operating in the household goods, clothing, energy, logistics, advertising, marketing, food, petroleum exploration, car rental, hotel management and insurance. In addition, many Turkish Banks are serving in Northern Iraq.

In this context, it would be beneficial to point out a recent initiative on energy cooperation. The decision to develop cooperation on energy between Turkey and the KRG will further their relations. If the oil pipeline project can be implemented with the involvement of Iraq's central government in the future, this, as a peace project, would bring an economic advantage as well as help establish closer ties in the realm of foreign policy.

What are the challenges before the development of Turkey's relations with neighboring countries? Do official channels take necessary steps to support the dynamism of Turkish private sector?

It is a fact that strong economic relations contributes positively to the development of political relations. At the same time, the contributions of a healthy political environment on economic relations cannot be underestimated. Economy flourishes in a stable and confident political environment. In fact, economic and political relations mutually support and feed each other.

Turkey's economy in recent years has made great strides in the direction of opening to the Middle East. We were successful in these efforts. Especially, our opening to the Middle Eastern markets played a major role in the expansion of our exports since 2002. However, the Arab Spring, which erupted in 2010, caused instability in the region; the increasing instability has brought pressure on the Turkish

investors especially in Libya, Tunisia and Egypt. There was a fluctuation in Turkey's exports to the region.

The biggest problem of Turkish entrepreneurs in nearly 2 years is the ongoing civil war in Syria. We receive many complaints from trade and industry chambers functioning in our cities and towns along the Syrian border about the troubles which their members are facing as a result of the civil war in Syria. The most severely affected provinces by the civil war in Syria are Gaziantep, Şanlıurfa, Kilis and Hatay. In 2010 our exports to Syria increased to 1.8 billion dollars. It fell to 498 million dollars in 2012. Despite the recovery in 2013, many Turkish firms operating in Syria were closed down.

In addition, Syria occupies a strategic place in the transportation of Turkish products to the Middle Eastern market. We began to face several serious challenges as regards transportation, after the civil war in Syria. There are 6 border gates between Syria and Turkey, namely Akçakale, Cilvegözü, Karkamış, Öncüpınar, Yayladağı and Nusaybin. However, congestion is experienced in these border gates due to occasionally closure of some border gates and heightened security measures. The tailbacks of several kilometers in length occur in the border gates. We spend greater efforts to convey these difficulties at every opportunity to the relevant authorities. Authorities take necessary steps to solve these issues to the extent permitted by political conditions.

How does or can TOBB play a role to develop Turkey's foreign economic relations?

We, as the TOBB, pay greater attention on expanding our trade and in-

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vestment volume in foreign countries. Turkey's integration to the global economic system in an effective manner is a must for achieving Turkey's objectives of becoming richer and more powerful. In today's world, the way to achieve that objective goes through building active and diversified trade and investment networks.

Hence, we took the first step at a time when Turkey began to open up its economy. We established Foreign Economic Relations Board (DEİK) in 1986 by the directive of the President Turgut Özal under the leadership of the TOBB in order to support the expansion of Turkish firms abroad and ensure the coordination of private sector in foreign economic relations. It commenced its operations as of 1987. Since then it has been operating to help Turkish private sector. As of November 2013, DEİK has 750 member companies, 42 founding institutions, 115 Business Council, 148 Commercial and/or Industrial Chambers and Commodities Exchanges representatives and 3 Foreign Representations.

Business councils are the main actors that establish connections.

Business councils consist of two sides, one is the Turkish side and the other is a counterpart institution in the relevant country, which is usually a representative body of the country's private sector. Thanks to business councils, the Turkish business world has the opportunity to meet business partners and create networks in the respective country.

In addition to business councils for specific countries, we started to establish sectoral business councils and specialized business councils after 2009. In the same year, we established the World Turkish Business Council with the purpose of gathering all Turkish entrepreneurs around the world under its roof. Then, came the first sectoral council; Health Tourism Business Council was established in 2010 with the purpose of turning Turkey into a health tourism center. In 2011, another sectoral council, "Higher Education Business Council," was established to turn Turkey into a regional and international center for education. The main concentration of this council is university education. Furthermore, last year, we completed the establishment

of Energy Business Council and the Logistics Business Council. These two councils also began their operations.

How do you evaluate the economic ties Turkey has developed with neighbors, especially in the context of the Middle East?

From a historical perspective, by far, Turkey's main trading partner was always European countries. In 2007, 56% of Turkey's exports were made to European countries. This ratio was quite high at that time. Despite the advantages of such level of exports, there were also significant risks arising from the dependence on a single market. We obviously realized these risks when the European economy began to contract. With the crisis of 2008, the demand for Turkish goods in the European markets declined. Indeed, between the years of 2008 and 2010, the most intense years of the crisis, the share of European countries in our exports was reduced to 48-46% while in 2012, it fell to 38% hitting the bottom. In 2013, with the ratio of 41%, some recovery was recorded but the pre-crisis levels have not yet been reached.

Such a development forced Turkish

private sector to search for new markets where they could sell their goods, other than Europe. Our interest focused increasingly towards the markets in the Middle East and North Africa (MENA) due to their relative economic resilience against the crisis and geographical proximity to Turkey. While the ratio of export to the MENA region was 18% before the economic crisis, it reached %27 in 2010 thanks to the increase during the economic crisis years.

In particular, the increase in exports to the Middle East indicates that Turkey diversified export markets and began to reduce its dependence on European markets. We are facing a decline in the export rates right now, as a result of the ongoing impact of the Arab Spring and the conflict in Syria. However, if the regional countries manages to adopt liberal economic policies soon after the dust settles in the region, our commercial relations will capture much stronger momentum than before.

TOBB, which has a crucial place in our country's economic development, plays a role in the develop-

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ment of regional countries by sharing its knowledge and experience. How do you assess the training and infrastucral support programs run by the TOBB and the cooperation it has forged with the chambers and other institutions in the region?

In a world where the competition rapidly increases, companies have to develop themselves in order to survive. Chambers are the leading institutions which can help companies solve their problems. The more equipped chambers are, the more quality services they can provide to their members.

As the TOBB, we initiated Chamber Academy Program together with the Islamic Development Bank and the Islamic Chamber of Commerce, Industry and Agriculture in 2011 in order to transfer our experince, develop new networks and sustain interactions among the chambers. The Program is for the senior and middle level managers in the member countries of the Islamic Chamber of Commerce, Industry and Agriculture. Every year, a group of 25-30 people, each coming from one member country is formed and we are preparing a training program for the group.

Chamber Academy program is extremely useful as it provides for the business world a platform where original projects are discussed and strategic partnerships are developed, in addition to knowledge exchange, discussion of changing trends and probabilities. We receive very good feedback about this program.

Another big project, in addition to the Chamber Academy, is the Middle East Commercial Center (MECC). MECC, a joint project of Turkey, Egypt, Israel, Palestine, Jordan and the United States, was established for the expansion of intra-regional trade and investment and developing re-

gional cooperation. The first MECC meeting was held in Amman in May 2013. Our second meeting took place in Istanbul at the end of September. The third meeting was held in Jordan in February 2014. Our mission at the MECC is to eliminate the obstacles before trade and investment, create a network among the enterprises of the region, support the direct foreign investment by non-regional countries in the region, and increase the life standards of people in the region. MECC is a young project and we are very excited about it.

We also carry out many projects outside the MENA. Revitalization of the Historic Silk Road Project and Islamabad-Istanbul Railway Project are some of them. We are in contact with almost all regions of the world. We participate into administartive boards of many institutions which gather global private sector from the ICC to Eurochambers, from the Association of Balkan Chambers to Asia-Pacific Chamber Confederation of Commerce and Industry and the Islamic Chamber of Commerce, Industry and Agriculture.

In the period ahead, as the TOBB, we will continue to develop our relations with institutions and organizations all around the world.

More concretely, there is a project which you define as your “dream”, pertaining to the establishment of an industrial zone in Palestine. Could you inform us about this project? How do you evaluate the developments regarding this project, as well as the obstacles before it?

Yes, it is the Jenin Industrial Area. Ankara Forum forms the background of the project. In 2003, after my personal meetings with the Israeli Deputy Prime Minister Ehud Olmert, Prime



Minister of Palestinian National Authority Ahmed Qurei, President of Palestine Commerce, Industry and Agriculture Chambers Federation Ahmet Hasim Zügay and President of Israel Manufacturers Association Shraga Brosh, the idea of supporting peace process as the business circles of these countries emerged. As a result of our work, in 2005, the TOBB, the Palestinian Federation of Chambers of Commerce, Industry and Agriculture and the Association for Israeli Manufacturers gathered in Ankara, and established the Ankara Forum. Ankara Forum occupies an important place because it brings the business organizations of Israel and Palestine together for the first time. In addition, Ankara Forum took serious political support from Turkey, Israel and Palestine. This support gave us fervor to produce new projects for peace in the region.

Within the context of the Ankara Forum, the TOBB wants to focus on establishing and operating industrial zones. First, we paid attention to the Erez Industrial Zone in Gaza. However, the developments in Gaza after 2006 postponed the Erez Industrial Zone Project for a while. Then, Tarqumia region in West Bank was offered. Because of the statue of Tarqumia, Palestine offers Jenin

Industrial Zone. Now we decided on Jenin. For this purpose, we established the TOBB- BIS Inc. in Istanbul, and opened an office in Jenin.

In February of 2010, Concession Agreement for the establishment of the Jenin Industrial Zone was signed between the Palestinian Ministry of Economy and TOBB-BIS Inc. Land expropriation process began. In the first stage, TOBB-BIS Inc. paid 5 million dollars as the first installment of land expropriation. The process of payment to rights holders was started. We plan to make the second part of the payment and to fasten the project.

Again, in this context, an Arbitration Centre was opened under your Presidency. Could you share your observations about this project with us?

The most important trading partner of Palestinian Authority is Israel. As in any commercial relationship, the Israeli and Palestinian businessmen encounter problems in trade relations. As you know, international arbitration is known as a fair and reliable dispute resolution mechanism to help the parties coming from various cultures and different legal traditions. In addition, arbitration is less costly and offers easier procedures compared to the courts.



In order to create a successful arbitration mechanism at the international success arena, however, there is a need for well-established organization with high credibility to back this mechanism. International Chamber of Commerce (ICC) is an organization which exactly meets these qualifications and has experience in arbitration.

ICC has implemented, together with ICC Israel and ICC Palestine, the Jerusalem Arbitration Center (JAC) in order to support the Israel-Palestine peace process. Both Israeli and Palestinian sides invited me for the presidency of Arbitration Center,

due to their trust on the effectiveness and impartiality of the Turkish business world. I accepted this duty with a great pleasure.

JAC will settle disputes between Palestinian and Israeli business worlds. Since March 2013, it has been actively working. JAC is not a government project; also it stands out by being an initiative of the private sector. I hope that JAC will contribute to the relationship between business communities of Israel and the Palestine.

Thank you for sharing your opinions with us.

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