



**Declaration of Outcomes  
Fourth Meeting of the  
Investment Advisory Council for Turkey  
June 11, 2007**

We, the members of the Investment Advisory Council for Turkey, are honored to have been invited here today for the fourth time to take stock of the progress that has been made in strengthening Turkey's investment environment, and to advise on new priorities that will ensure continued advancements in the year ahead. We would like to express our appreciation to the Prime Minister for his trust in this Council's contributions to ongoing efforts to further improve the investment climate in Turkey.

Since the first meeting of the Council in 2004, we have made a number of key recommendations for achieving a better business climate in Turkey. The last three years have seen a clear effort to translate policy into real improvements in the business environment, as demonstrated by local and international investment figures. The record figure of USD 20 billion foreign direct investment inflow in 2006 is a sign of Turkey's increasing promise.

Last year, we advised the Government to focus on some key issues to continue maintaining and promoting macroeconomic, political and financial market stability and to continue promoting structural reforms to attract investment and encourage growth.

We are pleased to see that these issues have been broadly addressed, as reflected in the IAC Progress Report of 2007. We would like to highlight the most important accomplishments of this past year:

- Sustained macroeconomic stability and the successful implementation of the competitiveness agenda continue to underpin an optimistic growth outlook.
- A coherent approach to investment climate is in place, with strong involvement of all stakeholders and a well functioning Coordination Council for the Improvement of the Investment Environment (YOIKK).
- Supporting R&D and developing conditions that are conducive for innovation have become priorities for the Government. Progress has been made to improve protection of Intellectual Property Rights (IPR) and facilitate patent applications.
- Turkey's investment in its people – through education and training – is rising.



- The establishment of the Investment Support and Promotion Agency of Turkey (TISPA) is an important step in boosting Turkey's investment promotion capacity.
- The reduction of the Corporate Tax Rate from 30 to 20 percent is a promising step to lower informality and increase productive investments.
- The privatization drive since 2004 has been one of the most successful in the world, helping increase productivity levels and attract foreign direct investment.

We commend Prime Minister Erdoğan and his cabinet for these impressive achievements. We also would like to note the improved functioning of the YOIKK platform which has put together an action plan with clear deadlines for further improving Turkey's investment climate.

Some of these issues have been highlighted by our guests from the international financial institutions. Mr. Lipsky, First Deputy Managing Director of the International Monetary Fund underlined the importance of maintaining fiscal discipline and achieving low and stable inflation, promoting labor market reform and broadening and deepening financial markets. Mr. Katsu, Vice President of the World Bank, stressed the importance of increasing productivity and employment, strengthening the quality of education for both income convergence with the EU as well as convergence within Turkey. He also emphasized the need for further liberalizing and restructuring the energy sector to improve energy efficiency and security. We believe that over the course of the last three meetings, this Council has identified a comprehensive list of key issues for reform which should remain at the forefront of Turkey's strategy in order to ensure that the country continues to be an attractive investment destination. Intensifying actions on some of these issues will be particularly important in the year ahead, both to maintain high levels of FDI and –equally important for Turkey's future development and growth—to increase employment and the productivity of the Turkish private sector. During the meeting, we agreed that next year the Government, while continuing strong macroeconomic policies and structural reforms, should focus on the most important priorities listed below:

- Further progress in reducing inflation through the vigilant implementation of the inflation targeting regime, while ensuring the proper functioning of the foreign exchange market through the continuation of the freely floating exchange rate policy.

- Further progress in fiscal consolidation which will yield reduction in the debt to GDP ratio, and strengthening efforts to restructure expenditures in order to create more space for priority investments, in particular in public infrastructure.
- Aligning the skills of the labor force with the needs of the private sector, by improving the content of education at all levels, especially in languages and other skills, and by promoting increased private sector contributions to vocational education and training to workers. Increasing opportunities for the participation of women and youth in the labor market should also be supported.
- Increasing flexibility of the labor market and containing non-wage labor costs, to cope with rapid technological progress and increasing competition stemming from globalization.
- Adopting and starting to implement a revised package for pension and universal health insurance reform.
- Continuing to support innovation, technology adoption and the use of quality standards by firms, by fostering the right framework for innovation and strengthening the links between firms, universities and research centers with a view to convert R&D activities into products and services.
- Further progress in the implementation of the legislation on intellectual property rights (IPR), in particular regarding data exclusivity and patent linkage.
- Reducing informality and improving corporate governance through further strengthening tax enforcement and increasing firms' financial transparency. Improving accounting and auditing standards and practices should be important complementary measures- to the recent corporate tax rate reduction- to be pursued in the future. In addition, further steps should be taken to strengthen corporate governance.
- Strengthening efforts in land management and planning, required to secure the availability of land for investment both in industry and services.
- Establishing permanent mechanisms to reduce administrative burdens on businesses in all their activities, with built-in review and measurement systems. Developing and implementing these mechanisms should be a core task of YOIKK.

- Further transform Turkey into a bold strategic hub in terms of transportation and energy corridors by further developing logistics and information technology infrastructure and liberalizing and restructuring the energy sector and increasing energy efficiency.
- Furthering efforts to develop infrastructure, in areas such as energy and transportation, by involving the private sector with a clear and predictable legal framework.
- Developing and implementing a long term strategic communication program for Turkey, to progressively build its image in Europe and the world, so as to ensure that public perceptions on the country catch up with its changing reality.

In parallel to the above, the Council endorses the continuation of the political reforms following Copenhagen political criteria, including improving the quality of democracy, rule of law and implementation of fundamental rights and freedoms.

Setting up appropriate benchmarks to systematically assess Turkey's progress in each of these areas is an equally important challenge that should be addressed soon. Progress in these areas will enhance the consistency of the various investment climate reforms. It will also generate greater synergies between policies, thus helping to maximize their benefits. Implementation of the above mentioned policy actions should improve the economic performance of Turkey, including external balances and strengthen its standing in the international capital markets.

We support Turkey's continued commitment to political and economic reforms, including harmonization with EU Acquis. Turkey is moving in the right direction and should use the progress achieved so far to encourage swifter and deeper reforms. The improved economic situation should be viewed as an opportunity to do more and to integrate Turkey in the global supply chain. We are confident that Turkey will continue to make good use of this opportunity, as we have witnessed in recent years. We look forward to monitoring progress in the months ahead, and to holding another IAC meeting next year.

Respectfully submitted by the members of the Investment Advisory Council for Turkey

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