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Role of Business Association Networks: Turkey in the Middle East

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Overview

- Business Association Networks
  - → The needs and the potential Role
  - → Turkey’s experience
  - → Spillover effects: Industrial Parks
- Overview of recent developments
  - → Ankara Forum
  - → Revitalization of Erez Industrial Estate
- Moving Forward

Common, well-known problems in MENA economies:

- There is a need to generate jobs:
  - ➔ Labor force grows 4% annually = twice as large in all other developing countries
  - ➔ Young Population: A demographic window of opportunity
    - Age structure of the population can raise the GDP by 2.5% per year provided that new entrants to the job market are productively employed
- Current economic structure (public sector + oil industry) is saturated; falls short of generating adequate employment opportunities and income

Source: World Bank 2005 MENA Region Strategy paper

Common, well-known solutions:

- Obvious Solution: Private Sector Development
  - → Non-oil trade diversification is the major way out for a more sustainable growth trajectory
  - → Economies need to undergo a serious transformation
  - → Reform Agendas vary across countries:
    - Trade Liberalization
    - Privatization
    - Private Participation in infrastructure provision
    - Access to Finance
    - Corporate Governance

Problems and Solutions are not news... What is the missing link?

- Necessity to integrate the Islamic countries into the global economy is already spelled out in several platforms
- Questions
  - → Why can’t we move on?
  - → How can we establish institutional mechanisms to initiate reform?

Two approaches to transformation

- Government-led, institution-based transformation (top-down approach)
- Private sector-led, market-based transformation (bottom-up approach)
  - → Stemming from society
  - → Building on existing structures

How to institutionalize the private sector participation?

- → Mobilizing Chambers and Business Associations

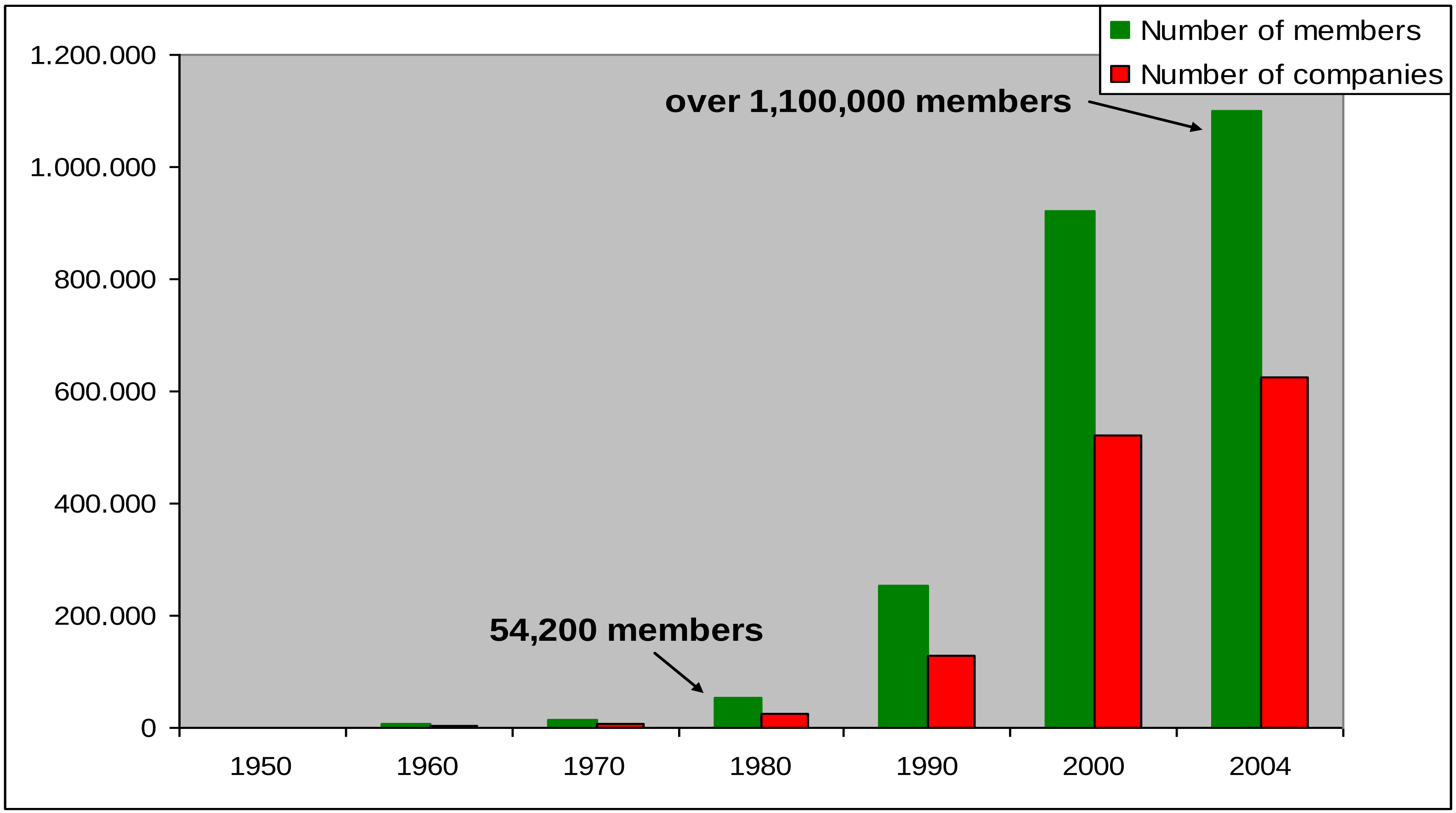
Mobilizing Chambers and Business Associations for Reform

- Chambers are institutions in institution-free environments.
- Compulsory membership is a good starting point for institutional development.
- Chambers can facilitate domestic ownership of the transformation process
  - → Acting as catalysts for the market-based and gradual economic reform process
  - → Initiating internal problem solving device

Private sector development in Turkey: key features

- Liberalization: trade, finance and domestic markets
- Diversification: sectoral and geographic
- The driving force of private sector in the economic growth process since 2002.
- The active role of TOBB in the economic policy making and in strengthening of the domestic ownership of the reform program

Private Sector Development and TOBB's influence in Turkey: numbers

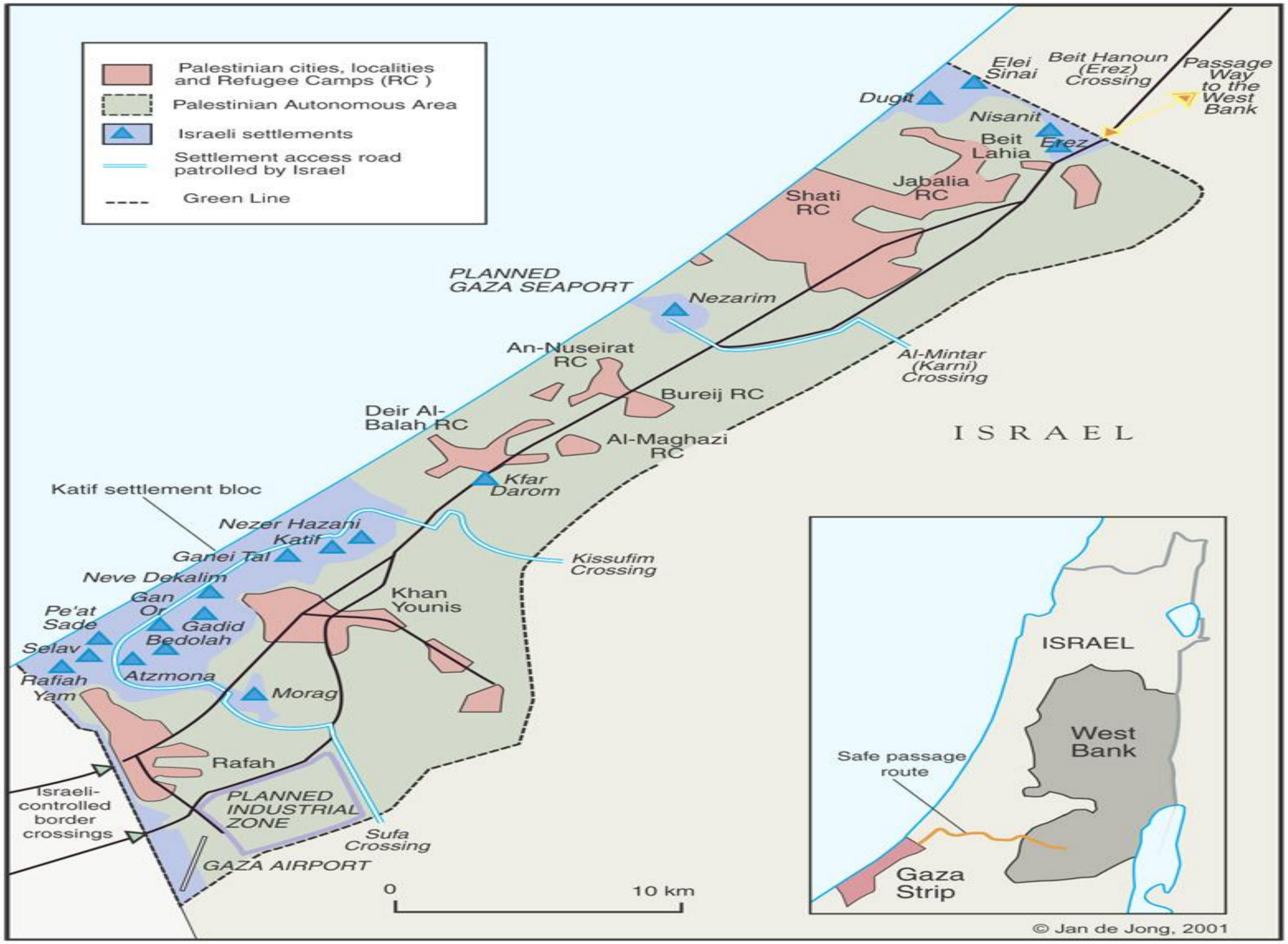


Source: TOBB Database

An example of Chambers' Role: Industrial Parks in Turkey

- Unique structure of Turkey's industrial parks:
  - → the desire to create pockets of competence despite an unfavorable macro environment
  - → provision of infrastructural, logistical and environmental support. (public goods provision)
  - → industrial policy: incentives and investment discounts
  - → new framework: licenses and permits (like a municipal admin.)
- Contribution to both urban and industrial development:
  - → 65 industrial parks: 10,000 firms, 350,000 employees
  - → 362 small industrial sites: 83,000 SMEs, 400,000 employees
- Crucial role of chambers:
  - → local chambers have played and continue to play the leading role in starting, managing and developing these industrial parks

Disengagement Process from the Gaza Strip



- need to empower Palestinians
- unilateral dis-engagement decision
- increased importance of the region
- initiative of the Quartet
- importance of Erez for positive expectations

Ankara Forum

- Established in April 2005 as an ongoing dialogue mechanism among business support organizations from Israel-Turkey and Palestine
- Partners: TOBB, Federation of Palestinian Chambers and Israeli Manufacturer's Association
- Goal:
  - ➔Promoting business to business contributions to the peace process
  - ➔Starting with small steps and finding local solutions to problems

Leveraging TOBB's know-how for peace and stability in the MENA region

- What TOBB has done until now:
  - ➔ First meeting: 27-28 April 2005 in Ankara
  - ➔ Second meeting: 8 June 2005 in East Jerusalem
  - ➔ Third meeting to be held in Istanbul on 21-22 September 2005
  - ➔ Tourism Workshop (1 September 2005 in Antalya)
  - ➔ Capacity building project (3-10 September 2005 in Istanbul, Gebze, Bursa)
    - Training for the officials of the Palestinian Chambers System and PIEFZA (Palestinian Industrial Estate and Free Zone Authority)

Political will is important

- November 2003-participation of Mr. Hisarcıklıoğlu to the Prime Ministers Conference in Israel.
- August 2004-First letter from TOBB to possible partners
- November 2004-Idea discussed at the political level during the visit of Mr. Gül to Israel and Palestine.
- February 2005-Hisarcıklıoğlu-Abbas meeting.
- March 2005-Erdoğan-Abbas telephone conversation.
- Notice the importance of political dialogue for the process to continue. Political dialogue is important.

Stages of the Project:

- ➔ First phase: to get the status of developer company to an Ankara Forum based company.(ending now.)
- ➔ Second phase: establishment of the company to make Erez industrial estate operational once again. Repairment, environmental concerns, etc. Free industrial zone, tax free environment, a regulatory coordination unit.(10 weeks at most)
- ➔ Third phase: investment promotion and finding opportunities for job creation;
  - Attracting foreign investment to Palestine
  - Value Chain analyses

Moving Forward..

- Support of the international community will be highly critical for the project’s success
  - → Investment Guarantees (MIGA, OPIC?)
  - → Technical support for the free movement of goods, labor, and services
  - → Value Chain Analysis Projects
  - → Capacity building projects at the level of Chambers for PSD.
  - → Investment promotion activities.

  - → Political support

What is in it for Turkey?

- Defining a role for Turkey in the Middle East-a role commensurate with the level of institutional development.
- Access not only to US but also to Middle Eastern markets.
- Enhancing the value of Turkish companies by exporting part of the value chain.