



**Eurasia Competitiveness Programme - South Caucasus and Ukraine Initiative
“Investment Strategies in Times of Economic Crises and Beyond”
Working Group on Investment Climate, Policy and Promotion
3rd of July 2009 – Friday, Bodrum**

**“Private Sector Perspective on Major Policy Barriers
to Investment in the Region”
Tamer ŞEN – Head of Department – TÜSİAD International**

Thank you very much for giving me this opportunity today...

TÜSİAD, one of the leading non-governmental and voluntary business organizations in Turkey, represents roughly 44% of the Turkish private sector. TÜSİAD members' companies occupy prominent positions in the Turkish economy. Through its representative offices based in Brussels, Paris, Berlin, Washington and Beijing, TÜSİAD follows the economic and political developments in different parts of the world.

TÜSİAD International is the “Strategic Business Development” unit of the Association and is committed to work for increasing Turkey’s bilateral trade and investment relations with foreign countries by building institutional ties with counterpart organizations and carrying on activities through these institutions.

With your permission, I prefer commenting generally on the region rather than speaking on the country basis. As already emphasized, the Region surrounding the Caucasus countries and Ukraine is becoming more important in this period of changing global structure. As an important actor in the region, Turkey has close historical and economic ties with the concerned countries; many Turkish business people operate in the region.

When we analyze trade and investment environment in the region, we see that the conditions have improved in recent years thanks to the efforts of the governments and private sector organizations. But we should also underline that some issues still need to be more focused and improved by the authorities.

Without taking much of your time, I would like to emphasize some issues which should be strengthened and improved for attaining a better investment environment especially in a period where GDP growth in the region is impacted by the financial crisis and reliance on external financing is increasing:

- While the legislative regulations such as market access, competition, protection of property rights, contract enforcement are well recognized legally, institutional arrangements for the smooth implementation of the existing legislation seem to be necessary. Legal system do not respond to the applications and needs of business circles in due time.

- The reforms should create a clearer legal and regulatory framework for public-private partnerships in infrastructure particularly in energy and transport. Poor quality of the industrial and transport infrastructure, and energy dependency are main obstacles to the investments.
- The banking infrastructure can/should be improved. Financial audits are sometimes not transparent, not clear.
- Customs systems should be harmonized according to the WCO rules and regulations. (All the concerned countries are members of the WCO). In this respect, regular meetings and regional workshops can be organized for the customs officials. Business people's contribution should be taken into consideration.
- Corruption, organized crime, illicit traffic and unresolved conflicts are other main problems which create real barrier to the investment. In some cases, transparency conditions are not met during tender processes.
- Regional business institutions should support the efforts for a better investment climate. In this respect, we should mention the activities of UBCCE, pioneering institution not only in the Caucasus but also in greater Black Sea and Caspian region.
- With the growing unemployment rates in the region, companies face problems in bringing of business personnel in support of FDI. Working permits sometimes create big problems for companies.
- From time to time, visa requirements create an obstacle to business people as far as some countries are concerned.
- Standardization and certification systems need to be unified online with the international standards.

We, as TÜSİAD, believe that business should play one of the key roles in reform processes in the region. Business' views should be taken into consideration which will help the governments and decision makers to assess the effects of the reform efforts. Close cooperation through joint activities with regional, multilateral business associations such as UBCCE and BUSINESSEUROPE need to be put forward and realized.

Big potential of the concerned countries can be realized by the well coordinated activities of the governments in cooperation with the private sector. That's the reason why we welcome OECD's initiative, as an example, to make the private sector as an important part of the "South Caucasus and Ukraine Initiative".

Thank you very much for your attention.