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Your Sovereign Highness Prince Albert, Thierry de Montbrial, Excellencies, ladies and gentlemen, it is a great pleasure to be here with such a distinguished audience. Let me express my sincere appreciation to Thierry de Montbrial, who has organised this important event for the sixth year in a row, which is an important example of success.

This year's World Policy Conference provides a wide variety of subjects for discussion over two and a half days. We will talk about political, economic, social issues and even technological issues that are of keen interest to all of us. We have experts from very diverse backgrounds throughout this conference and they will give their insights for a better understanding of the current dynamics in the world.

Let me talk about the current state of the world economy and then I will give a short glimpse about what is going on in Turkey. I will also discuss how the region around Turkey is evolving and what we are doing about our foreign policy issues.

Ladies and gentlemen, distinguished guests, five years have passed since the beginning of the crisis. Thanks to the extraordinary efforts of the major central banks, the global financial system has returned from the edge of total collapse. However, we still do not have strong, sustainable and balanced growth in many developed countries.

Central banks have opened a window of opportunity for governments and this should be used in a very careful way for more structural reforms and some growth-friendly fiscal adjustment in many cases. It is very important to realise that the central banks alone cannot create miracles. It is vital for many governments to undertake the difficult but necessary steps.

On the other hand, the developing countries now constitute half of the global economy when we calculate it in purchasing power parity terms. The next 10 years for the developing countries will be somewhat different when compared to the last 10 years. On average, over the next 10 years, the developing countries will probably have lower growth rates than they had over the last 10 years, but they will still be growing much faster than the developed world. The share of the developing countries in the global economy will continue to increase.

There is now a new phase in the global economy, which is mainly about normalisation of monetary policies. Many developing countries, especially those that have high balance of payment problems or high budget deficits, have to be very careful over the next few years. Growth is finally happening in the developed world, and the developing world will continue to grow, and so from now on it will be very important to concentrate on the quality of growth.

Sometimes many countries are so desperate for any kind of growth that they concentrate on quantity, but actually quality is also very important to follow. We could define quality of growth by using three criteria - financial sustainability of growth, social sustainability of growth and environmental sustainability of growth.

When we talk about financial sustainability, growth happens, but we have to carefully follow how the balance sheets of governments evolve. What is happening with the balance sheets of financial institutions? What is happening with the balance sheets of corporations? What is happening with the balance sheets of households? What is happening with the balance sheets of central banks? If growth is happening, with deteriorating balance sheets, then the future sustainability of this growth could be very difficult to attain.

The second aspect of quality of growth is social sustainability. Growth is happening, but is this growth creating jobs? Is this growth lowering unemployment? These are two different aspects. Is growth improving income distribution? Is it actually reducing poverty levels in the country? Is it improving the healthcare system or the educational system? If these social concerns are not actually properly adapted into the growth models, then the sustainability of this type of growth is also going to be questioned.



The third aspect is environmental sustainability. Is growth happening at the expense of high carbon emissions? Is this growth happening at the cost of water resource depletion, deforestation or climate change? If that is the case, then the sustainability of growth in the long term is also going to be a huge problem and present a lack of justice between generations. We cannot grow today at the expense of the next generation's welfare.

Now I will say a few words about Turkey, what we have been doing and what to expect. Every country has its own unique dynamics and it is very difficult to compare one country to another in a meaningful way. We have been going through a very important transformation process, which includes aspects of political, social and economic transformation. We have made many political reforms to improve how our democracy functions and to improve how we implement our human right practices, freedoms and rule of law.

We have done a lot in these areas, but we still have a long to-do list in each of these reform areas. In Turkey, we have over 400 TV channels and 1,100 radio channels. It became a very open society. In terms of using social media instruments, Turkey is in the top five or top 10 lists of many mechanisms such as Twitter, Facebook and so on. There has also been an important economic transformation. We have made very important reforms when it comes to public financial management control, our banking system, our social security system and our healthcare reform, which is now an example for many other countries.

Meanwhile, we were able to reduce our budget deficit. We reduced our public debt. When the crisis of 2008/2009 hit, we already had a very strong banking system and very strong public finances. As a result, the impact of the last crisis on our economy was very limited. Confidence has been at the core of our policies. If confidence is there, then consumers continue to spend. If confidence is there, corporations continue to invest. If confidence is there, the banks continue to lend. When the opposite is true and there is a lack of confidence, consumers stop, corporations stop, banks stop and the economy stops.

That is why we put confidence at the core of our economic policies. That was one of the reasons why in 2009, at the peak of the crisis, when many European countries were introducing fiscal stimulus programmes, we introduced a fiscal consolidation programme. We announced how we would further reduce our budget deficit and public debt. Since 2009, the average growth of the Turkish economy for the last four years has been 6%. The total employment level increased by 6.2 million, which is approximately the size of the jobs lost in the EU during the same period. Our public debt decreased from 45% of GDP to 35% of GDP. In this way, we demonstrated that growth is possible together with fiscal consolidation.

Turkey is now the 16th largest economy in the world. In terms of agricultural production, we are now number seven in the world. In terms of tourism numbers, the number of people visiting, we are number six in the world. We received aid in 2002 when we stepped in as government and now we are an emerging donor nation, spending billions of dollars in many countries that need assistance.

Meanwhile income distribution improved in Turkey. Across the OECD, we are one of the few countries where income distribution is improving. We actually have the fastest decreasing Gini coefficient across the OECD countries, as reported by the OECD a year ago. We no longer have absolute poverty in Turkey. Even the relative poverty figures have improved dramatically, but we also face challenges.

We have a high current account deficit. We have high dependency on oil and gas imports. We have low savings rates. However, we have taken many steps to correct the imbalances in that area and we will continue to take the necessary fiscal measures, macro production measures and structural reforms to face the challenges in this field.

Turkey is a country in Asia and also in Europe. We have easy access to Africa. We are in the Balkans, the Caucasus and also in the Middle East. Turkey is a Mediterranean country, a Black Sea country and also a Caspian Sea Basin country. We are a member of NATO and the Council of Europe. We are a member of the Organisation for Security and Cooperation in Europe. We are a candidate and an accession country for membership to the Union.

We have a special relation with the Arab League and the Gulf Cooperation Council. We are a strategic partner to the African Union, one of the three standalone countries which have that status. We have recently become a dialogue



partner to the Shanghai Cooperation Organisation, the first and only country to have that special link with the SCO, which is also a member of NATO.

We pursue an active multidimensional foreign policy. Our policies are shaped with a sense of global responsibility. Peace, security, stability and prosperity are always our key themes. We always promote free trade. We always promote market economy with free movement of capital, free movement of goods, free movement of ideas and free movement of energy. Turkey is now also an important energy hub, with many existing gas and oil pipelines and blueprints to help the energy supply of Europe and many other countries as well.

The European Union has always had a very special place in our foreign policy and also for our domestic reform efforts. Regarding the European Union, since the 2008 crisis, we are very frequently asked, 'Do you still want to join? You are doing well economically and performing much better than existing EU members according to certain criteria. Some new members are performing much worse than Turkey, so do you still need the EU? Why is the EU still willing to chase Turkey?'

As the government of Turkey, the answer to these questions is an emphatic yes. First of all, for many of our domestic reform efforts, the European Union has been a key external anchor. The standards, benchmarks and criteria that the European Union has for incoming countries are very important for us because it is a measure of quality of our reform efforts. Any country can call itself a democratic republic, but how can we actually judge and measure the quality of democracy? This is not easy. For us, the EU has provided a very important benchmark for many subjects.

We are very happy that the Eurozone crisis is now almost behind us. The rationality, pragmatism and solidarity have been reined in. We always perceived the EU as a union of values and ideals. It was an important historical peace project after World War II, so when we look at the common economic benefits that the EU countries share, it is a fundamental aspect. These common economic benefits should be there to ensure the continuation of the strength of the Union.

We have been somewhat instrumental in helping with important policies for the Eurozone over the last few years. TTIP, the Transatlantic Trade and Investment Partnership, is a historical merging of two huge markets, the US and EU. This is very important, especially during a time when protectionism and nationalism is on the rise in many parts of the world. This is an important vision that we are signing up to. We have a parallel process between Turkey and the US so that whenever the EU track is completed, we will complete our own track in parallel as a country that is already in the customs union with the EU.

As I have already described, our political transformation was important for us. The reforms that we have made in Turkey became a source of inspiration for many countries in our region. When we proved that Islam and democracy can coexist and create good economic outcomes, many young people in our region were encouraged. They were looking for justice and freedom and this was the start of the Arab Awakening, first with Tunisia, Libya, Egypt, Yemen and Syria.

Each country had its own unique course of change. Of course, there are many challenges. As a former Minister for Foreign Affairs, countries face dilemmas between principles, values and ideals versus national interests. In many cases that we were faced with, we tried to follow principles and values against short-term national interest. In a way, we thought that long-term credibility was much more important than short-term national interests. That is how we approached the issues in our region.

Syria is one of our neighbours and is in a very, very difficult situation. 150,000 people have already died, mostly civilians, including women and children. Syria has 6.5 million internally displaced people. There are millions of refugees. Turkey hosts 600,000. Unfortunately the UN mechanisms, including the Security Council, proved to be totally functionless. The longer the situation continues, the more the extremist groups gain strength and support, while the international community is not able to deliver.

We now welcome the Geneva 2 conference announced for January 22nd next year. We see this as an important opportunity that should not be missed. We hope that the full implementation of the Geneva 1 conference is actually



achieved next month. During this conference, the establishment of a transitional governing body with full executive powers and control of all government institutions, including the armed forces, the security services and intelligence operators is very, very important to ensure that we have a real independent transitional body to prepare the country for a functioning democratic system.

Sovereignty, independence, unity and territorial integrity of the Syrian state should be protected in any scenario. Syria must be a democratic, pluralistic and respectful country for human rights with rule of law. Every citizen should enjoy full equality, regardless of their religious or ethnic background.

Regarding Egypt, respect for the will of the people and democratisation are essential for the stability and economic development of Egypt. Human rights violations undermine Egypt's internal peace and stability. An inclusive and pluralistic political process should help ensure the long-term stability of Egypt. The international community should encourage the interim government to carry out an inclusive process towards the reinstatement of democracy.

Iran is one of the key countries in our region and certainly a very important neighbour of Turkey. Turkey's position on the nuclear file has been very clear from the beginning. We do not want any country in our region to possess weapons of mass destruction. On the other hand, every sovereign nation should have the right to develop and use nuclear energy for peaceful purposes. We have consistently advocated diplomacy as the only viable way towards a solution on this matter, so we warmly welcome the deal between the P5+1 and Iran.

However, we have to keep in mind that the deal is just the first step. The six months ahead is crucial. We hope to see both sides adhere to the provisions of the agreement, which will be instrumental in building mutual trust. Success during this initial period will pave the way towards a durable and mutually satisfactory solution.

Iraq is a country that has huge potential. It is a country that has gone through extensive difficulties over the last decade. Now that the elections are coming up, we hope that the elections in April will prepare a representative parliament for Iraq, a representative government and also a set of government policies that are inclusive and treat each Iraqi citizen equally, regardless of ethnic background or religion.

Regarding the Middle East peace process, all these challenges to the geostrategic landscape of the Middle East should not distract us from the aim of settling the Arab/Israeli conflict and ensuring lasting peace and stability in the region. There is now a new window of opportunity with the revived peace talks. There is now a vision of peace of two states existing side by side in peace and security on the basis of relevant UN resolutions and the Arab Peace Initiative.

We would like to see the conflict settled through the establishment of an independent sovereign and contiguous state of Palestine with East Jerusalem as its capital in the pre-1967 borders. On the other hand, we are concerned by the continuing expansion of the illegal settlements. Restrictions on the freedom of movement of people and goods and attempts to artificially change the demographic and multicultural identity of Jerusalem are also a source of concern.

Ladies and gentlemen, distinguished guests, Turkey's historical and cultural ties with Africa have been instrumental in establishing close relations with the continent. We used to have only 12 embassies four years ago. Now we have 35 embassies in Africa. Trade is growing rapidly. Turkish Airlines now fly to 38 different cities from Istanbul. Our exports to Africa and the Middle East are now almost as large as our exports to the EU. Our economic links are getting much closer.

It is by now apparent that the defining theme of the 21st century will be the rise of Asia. This started primarily in the economic field, but political, military and cultural implications of the rise have gradually started to manifest themselves. While most of the attention is directed towards China, the entire Asia Pacific region is in the midst of a rapid development process. Consequently many countries in the region are increasingly seen as important actors.

China has now become the second largest economy in the world. The volume of the Indian economy PPP adjusted is now almost USD 5 trillion. The Asian continent contains around 45% of the world population. The growth of Asia now contributes 40% of the world growth in terms of GDP. The trade growth of Asia contributes one-third of the world's trade growth.



Despite its rise and immense potential, Asia also faces certain challenges. Economic and political choices have had environmental and socioeconomic consequences. Over the next few years, it will be important to consider environmental issues. The widening gap between the rich and the poor is something to be addressed and a healthy social model is urgently required for many Asian countries.

On the other hand, the Trans-Pacific Partnership, like TTIP across the Atlantic, will also be a very important step forward for free trade. Asia Pacific is also at the centre of certain hot spots. Existing conflicts and territorial disputes cause further concern as nationalism is on the rise in the region. Moreover, discriminatory tendencies and increasing violence in some countries have the potential for further conflict.

Ladies and gentleman, distinguished guests, there will be some very interesting discussions throughout the next two and a half days on most of these subjects and even beyond. Fresh thinking will produce new ideas and new opportunities for solutions. Again, my sincere thanks and appreciation to Thierry de Montbrial and his team for putting together this successful conference for six years in a row. I hope that this tradition continues for many years, if not decades to come. Thank you.