

World Bank President Media Q&A with Turkish Deputy Prime Minister, Ali Babacan

**Transcript
Media Q&A
Ankara, Turkey**

**Robert B. Zoellick, World Bank Group President
Ali Babacan, Deputy Prime Minister Responsible for the Economy**

July 20, 2011

MR. BARACAN: [Interpreted] Distinguished members of the press, we are pleased to host the President of the World Bank Group, Mr. Zoellick.

He has arrived in Ankara yesterday, and from here he'll be going to Istanbul and tomorrow he will have meetings with the President of the Republic and the Prime Minister, as well. He will have contact with the private sector, too.

As you know, the World Bank is also consisting of a group named IFC, which is structured for funding the private sector, and the first IFC office outside Washington is located in Istanbul, and it serves as a regional center for financing the projects by the private sector, and he will be visiting that office tomorrow, too.

So, he will have a very comprehensive program, and it is a great pleasure for us to host him in Turkey.

As is known, the World Bank provides support to developing countries by their activities aimed at economic and social development. It's a multinational institution and we have a long history in terms of our cooperation with the World Bank.

We have already successfully completed the CPS for the period 2008 and 2011. It was a very comprehensive package comprising structural reforms and different projects touching upon many different fields, and we have successful completed this partnership strategy.

As you know, Turkey, last year, recorded a significant economic performance and recovered very quickly from the economic crisis of 2008 and 2009. Turkey has set an example for the rest of the world, and the private sector had a driving role in Turkey's quick recovery.

On the one hand, we have the state undertaking certain fiscal measures, but growth was not driven only by the state; it was driven by the efforts and the investments of the private sector and the first quarter of this year has also witnessed a high growth rate.

The World Bank supports Turkish private sector, as well, and therefore, the future cooperation with the Turkish private sector is also of great importance for us. Right now, we have 21 different projects conducted jointly with the World Bank, and we are currently working on preparing a new CPS for the period 2012 to 2015. The new Country Partnership Strategy will also be in harmony with our new medium-term program, and the previously formulated government program in our development plans will also be reflected in the new CPS.

Turkey has set a vision for the year 2023. We name the current period as our mastery period, and therefore we would like to launch significant reforms in the right fields. Turkey is the 16th biggest economy of the world, but our target is to become one of the top ten economies, and all these reform efforts and concrete projects to be undertaken will help us achieve this goal, and World Bank support in this respect would be crucial for us.

Let me take this opportunity once again to thank Mr. Zoellick for this significant visit, and the floor is now yours.

MR. ZOELLICK: Well, I want to begin by thanking the Deputy Prime Minister and his team for giving a chance to talk with them about their plans.

I began this session by expressing sympathy to them and the people of Turkey for the terrible loss of life from the terrorist attack.

But I also complimented him and his team on what has really been an extraordinarily successful economic growth period for Turkey.

It has been recognized not only by the people of Turkey but people in the Region and globally have an increasing interest in Turkey's success.

So, my prime purpose on this visit was to listen and to learn about the challenges that Turkey sees ahead, the plans that it has, and ways that we can be supportive.

The government is already focusing on some of the next stages of reforms and employment and education, in energy, and these are areas where we at the World Bank hope that we can be of assistance.

Because Turkey is an increasing player in supporting the development of other countries, we also want to cooperate with Turkey as a member of the G20 and as an important source and player in the regional economy. So, it's another area where we think we can deepen the cooperation.

Turkey is our second largest country for loans outstanding. So, we've already got a substantial investment through the World Bank in Turkey. Over the past few years we've lent about \$7.6 billion to Turkey to help deal with the growth strategy.

In addition, our private sector arm, IFC, has about \$2.6 billion of commitments in Turkey, of which about 2.3 billion are outstanding and, as the Deputy Prime Minister said, IFC has a regional hub based in Istanbul that employs over 150 people that helps us be able to provide private financial services throughout the Region, extending into North Africa and Central Asia, but also allow us to be able to support the Prime Minister's and Deputy Prime Minister's plans to build Istanbul as a financial sector hub.

So, my prime purpose on this visit is to have a chance to talk with some of the government officials, but also I'll have a chance to visit some of the people in the private sector.

In Istanbul, I will be attending a ceremony dealing with gender certification, helping private sector firms bring more women into the employment force, civil society groups.

And importantly, Turkey has really been a pathfinder in terms of dealing natural disasters and emergency preparedness, and this obviously has been a very core area, and one of the sites that I'm going to examine in Istanbul is an area where we've tried to deal with some advanced learning and quick response, and this is an issue we find high on the global agenda.

So, I just want to thank the Deputy Prime Minister and his team and also compliment them for the accomplishments that they have had so far.

MR. BABACAN: [Interpreted] Thank you very much.

Any questions for Mr. President or for myself? We can take a few questions but he has to leave because the team has a plane to catch.

Microphone, please. Kanal 24.

QUESTION BY PETER USKAN, KANAL 24: [Interpreted] Mr. Minister, yesterday, you made a press statement with regard to the economic situation in the U.S. and in Europe. The global crisis is quite close to us in the country right next door. So, did you talk about the crisis situation with the World Bank?

Mr. President talked about these issues about these issues but did you talk with the World Bank team about what can be done as the next steps. Did you discuss what can be developed as a formula and please, if the President can also answer this question, whether the economic crisis was discussed or not.

MR. BABACAN: [Interpreted] Distinguished friends, in today's meeting, we have mainly focused on the future areas of cooperation between us and the World Bank and we have focused on what we can together do in the "third" countries. And of course, while devising the upcoming CPS and the medium-term program, we will be taking into account the situation in Europe and around the globe, too.

MR. ZOELLICK: I'd only add that we began our conversation by talking about the actions that Turkey took when the financial crisis hit.

And what we're seeing in Turkey is what we're seeing in some of the other major emerging markets, which is we're having a multispeed recovery. We're having high growth rates in Turkey, China, Brazil, India, the United States, Europe, Japan continue to have major problems of sovereign debt and unemployment.

So, this complicates the overall global recovery, and obviously it factors into the thinking about commodity prices, energy prices, source of exports.

But I think that these are elements that, even in our brief discussion, but also from the reports I've had, I know that Turkey has sought to factor into its overall analysis. For example, with the slowdown in the European Union, you're likely to have fewer exports to the European Union. It may affect the foreign direct investment coming into Turkey.

But what I think is the great strength of the Turkish program is that, while it is trying to deal with the issues of this year, it has had a strategic view about restructuring the economy, which, if I go through the list of things that we worked with, Turkey, since 2002, it's quite an impressive list of structural reforms.

And part of the purpose of the visit today was to see where Turkey wants to go next, and I can only endorse their priorities.

QUESTION BY AHMET DOGAN, SAMANYOLU TV: [Interpreted] Today, in the newspapers, we have seen a statement by [inaudible] with regard to the global crisis. It is stated that the global crisis is approaching and that there are certain assessments with regard to expenditures.

MR. BABACAN: [Interpreted] Actually, I have received the same question yesterday and I have given an answer to it, but let me quickly recap. What matters is the following:

We hope that, in Europe, the right decisions are taken. We hope that, in U.S., the political problems with regard to the borrowing limit are overcome.

So, if all these are solved, it's okay. If not, we must be ready for any negative scenario.

QUESTION BY DİDEM TÜMER, CNN TURK: [Interpreted] Mr. World Bank President, I would like to ask two inter-related questions.

You have two Vice Presidents in your delegation in charge of Europe and Middle East, and this is a special visit, you are not going to any other country, as far as I know, only Turkey. So, why are you making such a high-profile emphasis on Turkey?

Secondly, Turkey has been self-sufficient for the last decade. Previously we had IMF, World Bank recommendations and guidelines needed, but right now, our government, for a long time, has been self-sufficient, even resisting to the policies recommended by IMF.

So, do you take that international organizations need to use Turkey as an example, that they must draw lessons from what Turkey has achieved?

MR. ZOELLICK: Well, first, I've been at the World Bank a little bit over four years, and I visited Istanbul a couple of years ago because Turkey hosted our Annual Meetings of the IMF and World Bank, and it was a very successful meeting, but I hadn't had a chance to visit Ankara and have a bilateral visit in my current position.

As I flew into Ankara, I saw how much it had changed because my first visit here was in 1989, so I've been to Turkey many times, and I've seen the huge and successful changes.

So, I think it was very appropriate. As I mentioned, Turkey is our second largest borrower in terms of our outstanding loans. It's been a very successful partner. We have a very good team here from the World Bank and our IFC team in Istanbul.

And the reason I'm here is I was in Geneva for a meeting of the WTO for Aid for Trade, and I thought, having been in Geneva, that I could come here for a few more days and learn more about what's going on and try to be of support.

So, I try to visit as many countries as I can, so, you know, I was in Brazil not long ago. In September, I'll be in China and Singapore. So, I try to get around and visit countries that we work closely with.

As for the idea about Turkey as an example, yes, I believe it can provide an example.

And when, for example, after some of the events of the Arab Spring in Egypt and we created an open forum to try to draw in some of the new voices, a number of them were interested in the experience of Turkey.

Now, one can never carbon copy from one country to another, and I think one of the lessons that the international financial institutions have sought to learn over the course of the past decade is that there are knowledges and experiences that people can draw from, but of course, you always have to customize for each country's circumstance.

So, you really focused on the two core aspects of my visit. I want to see how we can continue to help Turkey achieve its goals, but at the same time, I want to try to see how we can cooperate with Turkey which, after all, is a G20 member, which I also attend, to play a supportive role for others that are trying to grow. And of course, this ultimately also helps Turkey to have a healthy global economy and regional economy.

Our IFC team, our private sector team, is not only working private sector investments in Turkey, but we're working with Turkish companies that may be investing in third countries. So, that is the nature of global interdependence.

MR. BABACAN: [Interpreted] So, final two questions. First you and then you.

QUESTION BY AYSEL ALP SUZER, HURRIYET.CO.TR: [Interpreted.] Thank you very much. A question for Mr. Minister and Mr. President.

During the G20 meeting, IMF has declared the report and estimated growth was 8.7 and for 2012 it was estimated as down to 2.5 percent. So, IMF estimated actually a negative growth in the short-run for Turkey.

So, how does the IMF see Turkey's growth potential in the upcoming years?

MR. BABACAN: [Interpreted] No, I don't remember seeing such a reducing growth rate in those reports. I mean, this year, we have a very high-speed growth, and next year the speed will slow down a bit, but those studies, by

the way, are conducted in collaboration with our team. Sorry, it was not conducted with our team, it was a study done solely by the IMF technical team. We were not involved.

In September, the IMF team will again come to Turkey, as you know, and they will conduct a study in Turkey and I'm sure that then we will have a chance to, together, review the projections so that the estimates can be based on similar numbers, but our estimates are slightly different than the estimates. Again, those are the numbers developed only by IMF.

Would you like to give an answer?

MR. ZOELLICK: Well, I think you may have mixed up two different numbers.

I think the first number you cited was Turkey's growth, and you might have cited 8.7, and I think we used 8.9, so, it's a marginal difference.

And then, you used a growth number of 2 point something--that may be more likely global growth, not Turkish growth. I don't know anybody who is forecasting only 2 percent growth for Turkey.

QUESTION FROM HILAL KOYLU, HABERTURK: I also would like to ask a question to the World Bank President.

As far as I can see from your statements, we see that Turkey has a robust and growing economy while Europe and U.S. are suffering, and the numbers are supportive of this fact. So, how can Turkey's economic growth can play a role to help Europe get out of the crisis?

If EU strengthens its political and economic linkages with Turkey, would it help EU to get out of the crisis? I would like to hear your opinions on that matter.

MR. ZOELLICK: It could. About half of global growth today comes from developing countries, and to give you a comparison, that might have only been in the 20 percent in the 1990s.

So, globally, the growth from Turkey and other emerging markets is very important, but when I refer to multispeed growth, the fact that some are growing very quickly and some are growing very slowly can create a problem.

So, for some of the emerging markets, the challenge could be inflation, asset price bubbles. So, Turkey, through its banking policies and others, has to pay attention to these.

But third, as for helping Europe and the United States, as Turkey did over the past decade, the best help is self-help at home. So, the challenges of dealing with the sovereign debt issue in Europe have to be solved by Europeans and the United States, some of the same. But yes, a more successful global growing economy can help countries make the adjustment.

MR. BABACAN: Thank you very much for your attention.