

# World Bank President Robert Zoellick Closing Press Conference, Turkey Country Visit

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## Transcript

Robert B. Zoellick, World Bank Group President

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*Istanbul, Turkey*

**MODERATOR:** If you are ready, maybe we can start. Members of the press, good evening.

We have the President of the World Bank Group, Mr. Zoellick's press conference.

First of all, we would like to apologize for this delay because we had other meetings which took longer than expected. That's why we came here a little late. As we all know, Mr. Zoellick has been in Turkey since Tuesday evening, within the framework of an official visit, and in a while he will be giving brief information to you about his visits, and then he will answer your questions.

On my left-hand side, we have the country director of World Bank in Turkey, Mr. Zachau, and we also are going to have Mr. Dimitris Tsitsiragos, who will be here from the World Bank.

I would like to kindly ask you to introduce yourselves first before you ask your questions.

Without further ado, I will give the floor to Mr. Zoellick.

**MR. ZOELICK:** Well, thank you for joining us, and I also want to apologize for being a little late, but we had some very excellent meetings with the Prime Minister and the President, and I still have to get across to the area around Gallipoli tonight, but I wanted to make a chance to--have a chance to brief you on some of the discussions.

First, I began my meetings with an expression of sympathy for the tragic loss of life from the terrorist attacks, knowing how significant that is to the people of Turkey.

I complimented the government on the very strong economic success over the past years. And I explained that the prime purpose of my visit was to listen to learn about the challenges, plans for the future and ways that the World Bank Group can assist.

Turkey is a middle-income country, and what I found with middle-income countries around the world is they often have very good economic teams, they have unique challenges, and so we're trying to figure out how to serve them as a client.

We talked a little bit about some of the issues on the macroeconomic side, so these are some of the fiscal issues, the current account questions. But our role is more on the structural side. It's more--the IMF tends to be more involved with some of the macroeconomic issues. So I wanted to try to get a better sense of some of the next stage of reforms. These would include some of the issues with the national employment strategy, the topics related to improving education and skills which is important for productivity and higher-wage income, some of the energy security and efficiency issues. The Prime Minister also talked about their extensive plans in the housing sector and ways to broaden property ownership. But in addition to discussing the Turkish agenda, we spent some time on some of the regional and global economy issues, and this reflects the evolving nature of the World Bank's relationship with Turkey, because I was interested in perspectives of events going on in the broader region, how we can work together and support the process of change in the Middle East and North Africa, issues of security in economics in Afghanistan where we're both involved; and one other part that's related to our IFC operation that I

think is well received, the Prime Minister has emphasized his interest in making Istanbul a financial center for the-- in global terms, and IFC's first major operating unit outside Washington is here in Istanbul. So we have about 150 people representing, I think, over 60 countries, some 60 different nationalities, Dimitrius mentioned to me, and we have--that number may very well grow in the future, and they not only deal with our some \$2.6 billion of IFC investments in Turkey but representing about a third of our business flow globally because they also deal with Russia, Ukraine, Central and Eastern European, Middle East and North Africa, Central Asia. So this is obviously a good example of how an operating unit that helps with the IFC decentralization can also help Istanbul be--have a reputation as more of a global financial center.

I mentioned yesterday at my conference in Ankara with the Deputy Prime Minister that Turkey is our second-largest lending recipient globally, with about \$12.9 billion, and between 2008 and 2011 we did about \$7.6 billion of lending. So we upped our lending considerably given the financial crisis and wanting to support the economy. And, as I mentioned, it's a very big recipient of our IFC, our private sector lending. So that covers a little bit of the topics.

In addition, I had a chance to, when in Ankara to visit the mausoleum and museum for Ataturk. We had a very good session with private sector businesses today. Yesterday, in addition to having a meeting on a gender certification program, we have to try to support greater involvement of women in the economy. I also had a meeting with the civil society groups and had a very interesting visit to the emergency preparedness center in Istanbul, and this is a very important operation for us not only because of the natural disaster dangers in Istanbul with earthquakes but we're finding around the world this issue of disaster prevention and preparedness to be a very important one. And what we're really developing in Istanbul is a state-of-the-art facility, because people are going beyond being able to respond quickly to preparing. So we've worked with the local government to repair a lot of schools and hospitals. We have a special program for some of the historical buildings. And in addition there's emergency response capabilities with special equipment, and there's also an effort to reach out to civil society schools to kind of broaden the effort.

So, one of the reasons I wanted to see this operation is it's the type of experience that I hope we can draw from Istanbul and Turkey and apply it to some other countries as well.

So, that gives you some sense of what we've discussed and be happy to take some of your questions.

**MODERATOR:** Thank you, Mr. President.

Thank you very much and I will turn to you for questions, and once again please introduce yourself before you ask your question.

Yes, please.

**HURRIYET DAILY:** Gokhan Kurt from Hurriyet News.

Can I ask you two questions, and I think two of them are quite important as well.

The first one is the renewal of the Constitution. Throughout the meetings that you had with the Turkish officials, did you have the chance to talk about the renewal of the Constitution, the new Constitution? So, what do you think? I mean, what is your impression out of that?

And the second thing is the OECD has announced before that the Turkish government--sorry, has announced its support for Turkish government for regional minimum wages and minimum wages according to the regions. What do you think of that, like, as a method of achieving more balanced growth in Turkey?

Thank you.

**MR. ZOELLICK:** Well, on the first issue, obviously the topic of constitutional reform is one that the government raised in the aftermath of the elections. It said that it wanted to pursue it in a broad-based way. The topic came up with civil society and private sector groups, because I think everyone's interested in the process. And the government has mentioned to me, but I think these are points it's already made publicly, is that I think that there's a broad interest in Turkish society for taking a constitution that was developed during the military period and as a further sort of support for civilian democratic society about adjusting that constitution. That's up to the Turkish people, and I think that the sense I got was both the government and some of the civil society groups and others want to make it a broad-based, inclusive process so that it draws as much of Turkish society together as it can be, and I think that's a wise approach.

One of the major business groups told me that they had prepared a paper, not so much a draft but an issues paper about some of the questions, and the Prime Minister mentioned to me that he wanted to try to reach out to the opposition as well as broad segments of the society to try to stimulate the discussion, and that's obviously going to be an important issue going forward but it's one ultimately for the Turkish people, not for us.

The second issue about the OECD and minimum wage, I don't know if Ulrich has anything particular about the OECD. I would just say that we have worked with the government about trying to build in some additional labor flexibility, and I actually discussed a little bit yesterday with the Deputy Prime Minister about some of the changes that are dealing with social protection and severance and getting the balance a little bit. So I don't have a particular view on the minimum wage issue.

**MR. ULRICH ZACHAU:** Let me just add two points on this minimum wage question. This is an issue that has been discussed for quite a while in Turkey, both in academia, among groups in society, and also with the government. It's one of the options that has been under discussion for quite a while. We have had discussions with the government about it. There are advantages and disadvantages, and this is part of the discussion that the government is going through right now as they develop their new national employment strategy. We are very--we are very much in the process of working with them on that, and we support the development of the new employment strategy as it comes out. Where it will come out on this particular question at this point I don't know yet. As I said, there are pros and cons. There are also other tools that government can use to help balance out growth across regions, and government is also considering types of investment, in particular in human capital; that's most important so that girls, young women in the east as well as in the west--and businesses--have chances that they have in the east, they have the same chances in the west. So there are many tools that can be used; this is one of them, and whether or not in the end there's a decision that this will be done, we have to see.

**MR. ZOELLICK:** Just to give you a sense of how the World Bank would interact on that, our comparative advantage is that we have a global knowledge base. So, what we can bring to those discussions is the experience of other countries that have tried to deal with this issue of how to create inclusive growth but also what's worked and what hasn't worked with minimum wages.

**MODERATOR:** Please.

**AFP:** Nicolas Fayant, Agence France Press.

I think last month the World Bank made a statement saying that it was not interested in providing loans to Greece. Now that the eurozone countries are discussing other ways to rescue Greece, are you still having the same opinion and do you have suggestions for the countries of the eurozone on how to rescue Greece?

**MR. ZOELLICK:** Tempting but there's been no change in our policy. We haven't lent to Greece for some 30 years, so our focus is on developing countries. Greece is obviously a member of the European Union and is a subject of

their support. While I've been in the meetings here, I've heard about the Franco-German agreement about moving this forward. I haven't seen the details, so I can't really comment on that.

I'll just make the point that I'm glad to see the countries of the eurozone coming together because I think this is an issue that has now moved into a more risky posture, and you can see concerns in many economies outside the eurozone that there be an effective solution. So I haven't--I don't know enough to see whether this one will be effective.

The components have to address a number of different aspects. They have to deal with Greek debt. They have to deal with Greece's competitiveness, which is not just dealt with solely by the debt. They have to deal with the banking system, which includes Greek banks, European banks and the European Central Bank. So, to be effective, you need to have a package that addresses those different elements.

**MODERATOR:** Any other questions?

Yes, please.

**DOGAN NEWS AGENCY:** From Dogan News Agency: Pinar Senturk.

Since a couple of day especially in the European countries we have been talking about the crisis. We see a lot of media coverage on the European crisis and its reflections in Turkey. We always talk about these things. Mr. Zoellick, you had meeting with the Prime Minister and the President today. I was wondering if this possible crisis in Europe, will it be reflected in Turkey? How far or how close is it to Turkey?

**MR. ZOELICK:** Well, I think that's a topic that comes up in many of the discussions including with some of the private business groups. My recollection is that about 50 percent of Turkey's exports still go to the European Union, so economic trouble in the European Union will inevitably have some affect on Turkey. I think there's been some decline in foreign direct investment from Europe, which also is probably a reflection of some of the difficulties in Europe.

But I would say that Turkey is better positioned now than it was in the past because it has broadened its economic relationships. So, if I'd come to Turkey five or ten years ago, probably the primary focus would have been the economic relationship with the European Union. Now one is talking about business opportunities in the Middle East and North Africa, and this came up with some of the private sector players. There's a--we talked with a number of them about their investments in Russia, in Central Asia, some of the Central and Eastern European countries. So I think there's a broad-based--a broader basis for the international connections for Turkey. And on top of that, you now have a much stronger domestic economy. The domestic economy has got a greater resilience than it would have had in the past.

So I think it is wise for the Turkish officials to be scrutinizing closely what happens, and this then starts to depend on individual sectors. For example, because we deal with some of the newer member states of the European Union, we've been focusing with the European Bank for Reconstruction Development and others on the effect on Greek banks in some of the Central and Eastern European countries.

So the danger in a situation like this is that you get ripple effects, and so we have to try to anticipate them. So it's sensible for the Turkish government to be thinking about that. but I think right now the Turkish government is in the enviable position of having pretty strong growth too.

**MODERATOR:** Any other questions?

**TRT:** Niyazi Dolek from TRT.

During noontime, you participated in a TV program. You said there is a warning but we shouldn't exaggerate it concerning the European economy. This warning, why would it stop and can you make a general assessment of the European economy?

**MR. ZOELLICK:** This might have gotten a little bit jumbled in translation. I don't think I said a warning. But the key point is, as in answering the AFP question, there's uncertainty and risk in the European economy, and that obviously affects Europeans, but it affects the rest of the world economy. You also have uncertainty and risk coming out of Washington with discussions about debt limit and debt. On top of that, you have Japan recovering from an earthquake, but the good news there seems to be that it's getting a little bit of strength. But so you have the three poles of the developed economies sort of struggling. You have emerging markets that have grown quite well, and some of them have now faced the issue of overheating and inflation, which is different for each market.

So the key message is Turkey is part of a global economy, and so what happens globally affects Turkey. Now I think the efforts that Turkey has had not only to strengthen its macroeconomic position but the types of structural reforms that we've worked with Turkey on over the past seven or eight years are important in giving it greater resiliency.

So, frankly, I find the list pretty impressive--the health transformation, some of the energy market privatization, the disaster risk management, the public debt management, the transparent privatization of some of the state-owned enterprises, the pension reform, the commercial code--these are the real structural aspects that underpin an economy.

What I also find encouraging is that the Turkish officials are saying, "We know we have more to do." And that's really the agenda that I touched on about employment, energy and skills going forward so you can continue to increase the per capita income and the growth basis. But beyond that, if you ask for the specifics of European growth, it's a little hard to tell because, for example, Germany, which is the biggest economy, has been growing reasonably well, and in part it's had--it has taken advantage of this growth of [in] emerging markets. So Germany has been a very effective exporter to China and others in East Asia.

So this is an example of how growth in emerging markets can help a major developed economy in Europe, and Germany's strength will obviously help the rest in Europe. Now, if you have problems in the European financial sector and it creates uncertainty, that can create challenges for others around the world. So it's just a way of underscoring that, you know, Turkey, as in all other countries, operates in a global economy and it has to have the agility, the competitiveness and the flexibility to adapt, and that's the path that we see Turkey having been on.

**MODERATOR:** Yes, please.

**REUTERS:** Thank you. Simon Cameron Moore from Reuters.

You talked about all the strength and the resilience of the Turkish economy, but you haven't mentioned the current account deficit, which the IMF has now forecast that it's likely to be 10.5 percent of GDP this year. How worrying is that in this, as you described it, increasingly risky environment?

**MR. ZOELLICK:** Actually, I did mention the current account. When I talked about the macroeconomic issues, I mentioned inflation and current account. But I think that probably the two macroeconomic issues that it's important to keep a watch on are inflation and current account.

My sense is inflation can be more managed, and I'll let the government talk about it. It will be coming out with a budget soon to deal with some of the fiscal policy.

The part of the current account is understandable because Turkey's growing more than others, and so when a country grows more it tends to import more. But I think what the government would like to try to do, and which we would certainly be supportive of is to try to address some of the structural aspects of the current account. So, for example, if one can increase energy efficiency and one can increase use of alternative energy sources, you'll reduce the energy imports, and that's a big component of the current account deficit.

Another factor is not only the size of the deficit but the composition. So, insofar as you can get more long-term investment, more foreign direct investment, that is less prone to moving in and out of the economy based on shocks or other events. So, that goes to creating a better investment climate and creating better conditions for business. So, this is an item that I can assure you the government is focused on. I tend to be actually supportive of their efforts to try to address it in a structural fashion over time as opposed to taking some immediate action that would hit the brakes on something.

So, I think that's one of the macroeconomic issues, but again, what I found important is that in many economies I deal with these days, they're only dealing with the macroeconomic and not the structural. One of the points I make in the United States is it's not enough to deal with the debt and the deficit. You have to deal with the long-term structural aspects of growth. I feel that's true in Greece and Europe, and Turkey is actually taking on some of those subjects.

**MODERATOR:** One last question.

Kanal D.

**MURAT AKSOY (KANAL D):** Regarding Constitution, you have mentioned a draft, a paper but the public is not aware of this. Did you have any chance to see this draft and what you have seen in this document?

**MR. ZOELLICK:** I didn't mention any draft or paper from the government. I said--is it "tuxion" [ph]? Tuxion, the private business sector, has done a--what do they call it?--a working paper? A--a working paper--that they consulted with scholars and others to try to identify some of the issues such as separation of powers, role of religion. And so my point was that I was struck that some of the outside parties, even a business group, are engaged in this issue. They're trying to highlight for the society and the government as a whole the topics that should be part of the debate. And in the discussions that I had with the government, they were interested in engaging the society on these issues.

And so it's not my point to say what should be the decisions. I'll just say from some global experience: If one engages the society, and a broad-based segment of the society, I think that leads for a healthier process. And so I was encouraged that the business sector was participating and that the government wanted to participate, and for what it's worth, the Prime Minister said the media should also be participating.

**MODERATOR:** Thank you, Mr. President.

Thanks for your participation.