

T20 OPENING ADDRESS BY
DEPUTY PRIME MINISTER ALİ BABACAN

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Esteemed President of the Union of Chamber and Commodity Exchanges of Turkey, Chair and Board Members of Istanbul Chamber of Commerce, Director of TEPAV, Rector of Istanbul University of Commerce, Professor Nazım Ekren, distinguished guests and participants,

Today we have convened to launch T20 Turkey. I would like to start my speech declaring my hope that the T20 activities to be carried out throughout 2015 will be fruitful.

Yesterday in Istanbul, we had the first meeting of the G20 finance ministers and central bankers. It might have gone unnoticed due to the busy internal and international agenda; however, 85 percent of the world economy was in Istanbul on Monday and Tuesday. 85 percent of the total GDP—of the world GDP—is governed there, at that table, where 19 countries and the European Union are represented. And Turkey has been selected for the presidency. The G20 presidency is not rotational: countries are selected for the presidency. You run for the presidency and you have to get 100 percent of the votes. You cannot be selected even if one in 20 countries votes no. We applied for presidency three years ago, and ran a successful campaign. Three years ago, international perception and assessments about Turkey were quite positive. There was a pleasant wind at the back of Turkey when we applied for presidency, and thank God we were selected.

Throughout the year we will be organizing a number of events. Finance ministers and central bankers constitute the main channel of the G20. They have been convening since 1999, when the G20 was launched, but the summits date back to 2008. The G20 started to convene at summits after the 2008 crisis. In 2015, finance ministers and central bankers will hold four meetings, and this is the first one. The next meeting will be in Ankara. In addition, we will carry out internal meetings during the year, at the margin of the World Bank annual and spring meetings.

This year, ministers of labor and ministers of trade will each convene once. And we will organize a joint session which will host ministers of labor and finance. This demand came particularly from the workforce—from the Labor 20 (L20) line—and we deemed this suitable. The meeting will be held in September.

We will also bring together ministers of tourism, who convene less frequently—not on a yearly basis. But we will be hosting such a meeting. The World Trade Organization has especially asked us for this. Ministers in charge of agriculture and food will also be convening. The first convention was held in France, and this year's, in Turkey, will be the second. Our Ministry of Agriculture will discuss a series of important issues, beginning with global food security.

For the first time in the G20, we will bring together ministers of energy. This has not been done before; energy ministers of the G20 will convene for the first time this year. For sure, a number of issues will be discussed, but access to energy will definitely be a significant agenda item. And I am talking only about the official channel.

And you know we have launched the B20, where the Turkish business world is adeptly represented under the presidency of esteemed Mr. Rifat Hisarcıklioğlu. And this B20 structure has earned a strong reputation across the world, as the broad participation at yesterday's event suggests. Yesterday a joint B20, L20, and T20 event was held, and I was told this morning that it was very productive. We have launched the L20, which involves all three labor union confederations of Turkey, chaired by the Türk-İş president. They have started working with their counterparts in G20 countries.

And today we are launching the T20—the Think Twenty, that is, think-tanks. I want to express in particular that the T20 is a critical channel and a major group under the G20. It is relatively new, having been active for only three years. But we are expecting a remarkably productive T20 channel this year in Turkey, under the leadership of TEPAV. TEPAV is an organization that was established under the leadership of Mr. Hisarcıklioğlu, and that has earned a global reputation in a short time. It has launched the T20 activities, integrating the works of a number of peer think-tanks in Turkey.

We are expecting the T20 to significantly contribute to each item on the G20 agenda. Sometimes we might suffer from professional blindness; some issues

might go unnoticed. We have the B20 and the L20. Assessing issues from above, as the saying goes, seeing the issue from 10 thousand meters above—this is what we expect from the T20. To spot matters which go unnoticed and address the G20 agenda with an integrated approach. To fill in the blanks and, most importantly—as the name Think Twenty suggests—to develop new initiatives, new ideas, new policies, and new projects. This is our major expectation of the T20: that is, innovativeness for G20 agenda. These efforts will be critical this year. We will be following up and monitoring the process closely. The T20 now has a sound global network. TEPAV has swiftly formed this structure with its counterparts in G20 countries. Today in this hall is a remarkable representation of think-tanks of other countries. And we are hoping that a productive endeavor will be carried out the entire year. And we are saying, for the record, that Turkey's presidency will be different in every sense.

As you know, international media coverage about Turkey over the last one to two years has not been positive. We don't see Turkey featured a lot in the media, and what we see, unfortunately, is a focus on negative elements in general. The work of the G20, B20, L20, and T20 are extremely important in ameliorating this. If we can perform really well, by the end of the year we can hopefully give the impression that, *"Above all, the Turks have done good work, and they have completed many projects during their presidency."* More importantly, it would be quite valuable for our country if we could extend the impression that, *"Turkey's presidency was a key player in the world economy, and in resolving the global financial crisis."* This is why we have to work a lot: fill in all the gaps. And let me be frank: Our G20 teams—the technical teams—are very strong. Highly experienced colleagues have been involved in the process since the beginning. They are respected at meetings of every level, they are reputable, and their words are highly regarded because people respect the words of those who are competent and solidly familiar with the foundations of an issue. All we have to do is stay on the track of reason and knowledge. This reputation of ours also strengthens our G20 presidency.

Yesterday we had meetings all day long and we addressed a number of issues with G20 finance ministers and central bankers. We have expressed that there are certain critical priorities. We declared as early as November last year,

during the latest G20 meeting in Australia, that Turkey will have certain priorities and will be introducing new perspectives on certain matters during the 2015 president. We have declared three priorities—“three I’s”—for Turkey: Inclusion, Implementation, and Investment.

With “Inclusion,” we refer to domestic inclusion for each country. We claim that all of the economic policies have to include, involve, and ultimately aim to improve the welfare of all groups in a society. But if we are simultaneously aiming at global growth and the global economy, we are talking about a perspective in which growth is felt all around the world—more or less experienced by each person living in this world. We have introduced several critical themes under inclusion. SMEs is one of these. The SME theme has been widely supported. Many ministers and central bank governors talked about SMEs at the sessions yesterday. The communiqué we released yesterday evening mentioned SMEs. We are glad that is intensely focusing on SMEs for the first time, and that everyone has supported the issue enthusiastically. Not like, *“Let’s not offend the president and just talk about SMEs.”* It was not like that. The reaction was rather, *“This is a critical issue to be on the agenda. We should work on this.”* How can we make SMEs a stronger part of the value chain from banking regulations to international trade issues? Or, rather, do we genuinely consider the needs of SMEs from the perspective of international tax practices? Or do we just consult with large corporations and proceed on our way? These all will be critical questions to be addressed. Together with the International Chamber of Commerce, we are working on a new international SME alliance structure—we are still working on the name. We are working on a structure which will become the single voice of all SMEs of the world, in which the Union of Chambers and Commodity Exchanges of Turkey will take part as leader. We have recommended such a structure to the International Chamber of Commerce, and the Secretary General paid a visit to us just a week later, saying, *“This is a perfect idea; we are in!”* The relevant agreements are to be completed in a week or two, as far as I know. The World’s SMEs will have a voice at international platforms, before international organizations. This organization will place SMEs at the forefront of consideration. Turkey’s G20 presidency will last only a year, but this will be our heritage. We will be establishing a structure, the benefits of which will continue after Turkey’s presidency.

Another important issue is the W20—that is, Women 20—a subject first raised by Turkey under the aegis of inclusion. The W20 will aim to enhance the roles and influence of women in the business life, and establish support mechanisms for female entrepreneurs. A perfect foundation for efforts of this kind is surfacing. Our sherpas have been working on this. Hopefully, we will be holding the launch of this event soon, and bringing together the women’s organizations of all G20 countries, based on the initiatives and suitable mechanisms available in G20 countries. This will be another novel institution introduced by the Turkish presidency.

The second area of priority is implementation. G20 countries have declared a series of commitments, macroeconomic policies, and reforms—the number of the commitments declared over the past year is more than a thousand. And we believe that the implementation phase will be critical. We have announced a sufficient number of measures, and we have talked enough; now is time to work, produce, and implement. This will be another important matter we will be pursuing throughout the year. And together with the OECD and the IMF, we are introducing a monitoring mechanism for reforms. Thanks to this monitoring mechanism, everyone will be able to see clearly which countries make progress or not.

We cannot apply too much pressure or direction to countries in regard to reforms, because of the sovereignty of each country; it just goes against the grain. But these policies and measures have been declared; we can note them down and release them to the public, so that everyone can monitor which country has made how much progress in reform. This should bring about a more subtle pressure, of course. People and the media will call the relevant agents to account, they will ask, “You have promised to fulfill these. Why has the progress been delayed?” We are expecting that this will hopefully accelerate the reform process.

The third important subject is investments. We believe that both private sector investments and public infrastructure investments need to be scaled up. It’s not just us: reports and analyses of all international organizations clearly emphasize this need. Everyone agrees that the world needs more investments.

Private sector investments have to do with confidence. If you can build confidence, and if people are confident about their futures, investments escalate.

Regarding public investments, they have to do with resources. We think that if it has the means, a country should increase the share of investments in its budget, particularly of productive investments. And here, the quality of investments is significant. It is not that every bit of investment expenditure is economically beneficial; not every expense will have returns for the economy. There is productive investment and unproductive investment. On the one hand there are facilities that have become idle despite all the investment, and on the other there are infrastructure investments that continuously contribute to the economy at large. From this perspective, at the G20 level we are strongly emphasizing level that the quality and prioritization of investments require constant attention.

Another important challenge about investments is budget constraint, evidently. Some countries do not have the budgetary room to raise investment spending: they have high debt rates, are undergoing fiscal consolidation, and are hardly able to cut down budget deficits and debt rates. When we ask them to raise investments, they talk about budget constraints. Consequently, public-private partnerships need to gain more prevalence all around the world. There are successful examples of public-private partnerships in Turkey, and special attention has to be paid for these to become more widespread.

We asked international organizations, particularly the World Bank, to help us standardize public-private partnership projects so as to enable a solid legal framework. This would, if possible, be supported by an accreditation mechanism with which the World Bank can check if the projects attain the standards. We can introduce the standards, check whether a particular public-partnership project meets the standards, or define project classifications, so that countries can comply with these standards and classification, and facilitate communication between investors.

Currently, sovereign funds—that is, funds governed by asset-rich countries—and pension funds are in search for long-term and rational investment and there exists significant opportunities in that field. Insurance companies hold

large amounts of assets, but returns on these, as you know, are too low or even negative—most recently after the European Central Bank decisions, these companies have had to keep such instruments with low returns. When we shared our views with them, they were grateful, saying, “That’s what we were looking for.” Here, long-term predictability is of course at the heart of the matter. A public-private partnership project, from the initial idea to actual investment and returns, requires at least 15 years—perhaps as long as 20, 30, or 40 years in some cases. Over such a long time frame, countries age 10 governments, and 20 ministers. The overall policy of the country when you start the project might be completely different than that when you end the project. Investors, therefore, might hesitate to embark on such projects. Consequently, there is need for a solid legal framework—that is, solid contracts bound by international law.

When we are talking about public-private partnerships, we are primarily talking about the state. Why is the state involved? The state is involved to say, “I promise I won’t change regulations or introduce decisions that will harm your project or otherwise compensate your loss.” That’s the only way these partnership mechanisms can work. So, we believe that the mechanism should be more functional. If we can ensure standardization, we think significant progress can be made in terms of securitization.

Asset-based funding is globally important and we have started to emphasize this more. Yesterday I was very pleased that many ministers and central bankers talked about asset-based funding during the meeting. A number of European ministers took the floor and said they should be employing Islamic financing mechanisms more frequently in their countries. And, let me underscore, some of these were Christian-democrat politicians. Because if the essence of the model is correct and solid—and please note that asset-based funding, capital-backed funding relies on partnership culture—the relationship between the lender and the borrower may be a bit colder, but the partnership will be a warmer type of engagement, and it definitely involves an asset—a project. In fact, take participatory banking or lease certificates: they all involve actual commerce—actual investment; they are not circulating money to generate money. When we enumerated these items as our presidential priorities yesterday, we saw, thank God, that many countries supported and

agreed with these. The IMF representative said that they were planning to organize three seminars during the year about Islamic finance, and to bring larger global attention to the issue. Because, particularly in times of crises and volatility, these models prove more fruitful and spread the risk.

Yesterday, and the day before, were great for us: the meetings were successful and fruitful. We witnessed that our new ideas were embraced, and all countries declared a desire to be involved. This means we have spotted gaps and raised important issues; this is what we have seen. We decided to establish separate working teams for each issue, and I believe the T20 will significantly contribute to this process.

To begin with—upon the recommendation of our Saudi friends to establish a separate technical team under the G20 to particularly deal with asset-based financing—we agreed to do so.

Again, regarding asset-based funding and public-private partnerships, another group of funder countries—that is, countries that have sovereign funds, including Norway, Canada, Saudi Arabia, and Singapore, as well as countries in severe need of investments—recommended setting-up technical work teams composed of international organizations, and to develop models. We have received the recommendations, and undertaken to initiate the relevant actions right away.

If we can make progress on all these matters throughout the year—and by the end of the year have a strong list of accomplishments and innovations to be presented at the leaders' summit in November—we would be genuinely happy. And this will be fruitful for not only Turkey, but also the entire world.

Esteemed guests and participants,

As you all know the G7 was at the forefront prior to the advent the G20. G7 countries accounted for a significant part of the world economy, and they used to finalize critical decisions. After the crisis—the 2008-2009 crisis—however, the G20 started to convene at the leaders' level, reducing the importance of the G7. I don't know if you see any coverage on the G7 summits or decisions, but it is for sure that the G20 summits have tremendous influence at the global level now. Three thousand journalists attended the G20 summit in Australia,

despite its remote location. We are arranging the logistics of the Antalya summit accordingly; we are expecting four to five thousand people just from the media. The G20 has a high level of representation, accounting for two-thirds of the world population. Still, it does not cover the entire world.

When the G7 was at the fore, we had certainly experienced the feeling of being left out. Today, Turkey is a G20 country as well as the 2015 president of the G20, but when you look around, you see that there are about 180 countries more—only considering the United Nations members. Therefore, as a critical priority for our presidency, we committed to giving priority to low-income developing countries (LIDCs). There are about 70 LIDCs; we will pay special attention to them and integrate their agendas into the G20 agenda.

Two weeks ago, I invited the ambassadors of LIDCs in Ankara to a lunch and asked them to contact their capital cities about their expectations from the G20—the actions and agenda items they expect the G20 to raise for them. I asked them to send short notes about their priority matters so that we can work on them and put them on the G20 radar as much as possible. When you read the 3.5-page communiqué from yesterday, you will see that LIDCs are mentioned at least 3-4 times in different places. This is another contribution Turkey has made to the G20—this is a distinction that adds to the legitimacy of G20. If there is a feeling that *“The G20 is exterior to me; I don’t know what they do. Large countries come together and,”*—and you know Turkey also is one of the top 20 economies now—*“decide on behalf of the world,”* that is what we are aiming to prevent. We are asking them at the very beginning to let us know their issues so that we can include them on the G20 agenda—working on them and ensuring that G20 decisions and actions will be beneficial for all of us. Not just for 20 countries, but for all. This would be another innovation Turkey’s presidency will introduce: to build strong bridges between the G20 platform, including Turkey, and the rest of the world.

There is nothing the G20 would lose here; it already accounts for 85 percent of the world economy. Rather, it would enjoy a stronger reputation and stronger advocacy. These are critical subjects which we will be emphasizing.

I wanted to depict this framework here for T20 participants and the T20 working teams present here. But we are open to all types of innovations and

ideas, whatever the T20 produces—and don't be afraid of voicing crazy ideas. Think-tanks will also come with crazy ideas, progressive ideas. Thinking outside the box, as the saying goes—that is, going beyond stereotypes in thinking and producing—this is our major expectation of the T20. If we can accomplish this—if the T20 can develop new initiatives, new ideas and new approaches—the T20 will have fulfilled a critical function by the end of the year. We have high expectations about that.

It has all started well, with an intense focus. I hope that the end will be as successful as the start—I hope we don't start it like a Turk and finish otherwise, as the saying goes. I hope that the end will be as successful as the start, and that Turkey will honorably hand over the G20 presidency to the next term president at the end of the year.

I would like to once again thank the Istanbul Chamber of Commerce for hosting this important meeting. I would like to express my sincere thanks to the esteemed President of the Union of Chambers and Commodity Exchanges of Turkey for leading and supporting such an initiative. I would like to thank TEPAV and its members. And I would like to extend my sincere thanks to the T20 representatives of twenty countries that are here with us today, in Turkey and Istanbul, for their interest.

Everyone loves to be in Istanbul in a warm spring or summer, but it is really important to be here in a snowy weather as well, to work indoors. I would like to thank especially to our foreign guests; there are here to work hard and produce results. But Turkey's Grand Bazaar is snow- and cold-proof. It is the oldest mall on earth, with four thousand shops. We have the Hağia Sofia, the Blue Mosque, and many beautiful attractions. I recommend first-time visitors to take a quick tour of Istanbul as well. All of the attractions I mentioned are within walking distance. First-time visitors can develop some impression of Istanbul in a three-hour trip to these attractions.

I wish T20 success once again, and express my wish that the T20 will be beneficial for Turkey, the G20, and the entire world.