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Statement by the Hon. **ALI BABACAN**,  
Governor of the Fund for **TURKEY**



**Statement by Ali Babacan**  
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We are living in interesting times. Each day we are witnessing swift mood shifts, abnormal market developments and substantial volatility. Glimmers of strength in the global economy are steadily fading away and outlook is becoming bleak. Once striving to recover from one of the deepest downturns in history, global economy is now facing several risks.

Debt sustainability concerns and weak growth prospects of the advanced economies stand out as the most urgent problems. Sovereign debt crisis is spreading and becoming a major threat as the concerns on the Euro-zone economies intensify. We need to recognize that political squabbles, lack of coordinated and decisive action lie at the core of these problems. Weak growth prospects undermine the market confidence and make it harder to achieve significant fiscal consolidation. We have, at all times, urged that policymakers should develop a medium-term approach and announce credible targets. By this way the markets can be reassured and confidence can be restored.

At the same time, we need to deal with surging and volatile commodity prices. Higher and fluctuating prices carry the risk of further destabilizing our economies through supply shocks. We should improve the regulation of commodity markets and increase the transparency of price setting mechanisms.

High structural unemployment is another challenge that prevents a healthy and stable global growth. As many economies are struggling with fiscal concerns, there is little room to implement further stimulus measures. Long-lasting and structural unemployment also restricts the effectiveness of these stimulus measures. We need to prepare the workforce for the requirements of the new economy through active labor market programs.

International policy coordination and coordinated efforts are the keys to all these challenges. International financial institutions, especially the IMF, have a pivotal role to play while implementing coordinated policies. We should make a comprehensive review and restructuring of the Fund's surveillance function so as to increase its effectiveness. Also, we should pay attention to solving the long-lasting representation problem. This is a critical issue for the Fund's legitimacy.

Therefore, we call for the timely completion of the 14<sup>th</sup> quota review in IMF and implementation of the envisaged restructuring at the Board of Executive Directors. We have achieved a significant success by approving these reforms. We should not undermine them by delaying their implementation. All the members should undertake their part to conclude much needed reforms.

Let me touch upon the recent developments in the Turkish economy. We have been witnessing very strong growth performance during the last six quarters. In 2010 Turkish economy grew by 9.0 percent while the growth rate jumped to 10.2 percent in the first half of 2011. There is a similar growth pattern in the labor market. Over the last 12 months period,

nearly 1.4 million new jobs were created, bringing down the unemployment rate from 10.5 percent to 9.2 percent.

Despite this robust performance, we are not losing sight of the risks threatening the global economy. Our government units, Central Bank, Treasury, Banking Regulation and Supervision Agency have taken several measures in close coordination. With these steps we try to avert the overheating concerns, curb excessive rise in the indebtedness ratios and solidify the financial stability.

Structural reforms implemented in the last decade are one of the main factors behind the favorable economic performance. We are committed to enhance the effectiveness of all these reforms and consolidate the successes we have achieved so far. We are hammering out policies and structural reforms that our economy needs. Our agenda comprises of labor market reforms, judicial reforms, product market reforms, reforms aimed at improving the investment environment and transforming Istanbul into a global financial centre. We will also continue to firmly support research and development investments in Turkey.

We have been going through critical times for the global economic and financial stability. Our decisions and efforts have the power to affect many years to come. Therefore, I suggest that all policymakers handle the issues with decisiveness and a forward looking approach. We should not hesitate to bite the bullet when necessary.

Thank you.