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Statement by the Hon. **ALI BABACAN**,
Governor of the Fund for **TURKEY**,
at the Joint Annual Discussion

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Governors, Ministers, Ladies and Gentlemen,

Having the honor of addressing the Annual Meetings of the World Bank and the International Monetary Fund, I would like to begin by thanking the government and people of the United Arab Emirates for their warm welcome and hospitality during our stay in this beautiful city.

I am happy to see global economic and financial conditions starting to improve. The IMF foresees a gradual and moderate upturn in world output beginning in the second half of 2003. Demand and productivity in the United States appear to be strengthening, and Japan's economy seems to be on the road to recovery. The fundamentals of emerging market economies are also improving. The agreement between the Fund and Argentina on a three year stand by program is an important step forward, both for the Argentine economy and for international financial stability. But as we are all aware, risks still abound, and the agendas of both countries and the international financial institutions are filled with threats and remedies. The international community must continue the discussion of global challenges begun during the Doha Round. The success of these discussions will be crucial for a sustainable economic recovery and durable poverty alleviation. I am encouraged by the proactive nature of the Fund's new initiative to provide financial assistance for developing countries facing the challenge of adjusting to the effects of multilateral trade reforms.

We welcome the World Bank's strong advocacy of trade liberalization. It is important to be explicit when identifying the direct effects of the industrial countries' protectionist policies, especially those regarding agricultural goods and textiles, on the market access of developing countries and the success of their efforts to reduce poverty. The World Bank's increasing focus on Trade Capacity Building, and the corresponding increase in its trade-related lending, are steps in the right direction. But unless they are accompanied by real trade liberalization, efforts to build capacity will come to nothing. The Cancun conference's collapse before reaching an accord has dashed the hopes for a short-term convergence of views capable of bridging this policy rift. We urge the Bank to intensify its advocacy role, to support it with better analytical studies, and to disseminate its findings in a more systematic fashion.

But the improvements in the global economy have not yet been reflected by increased flows to developing countries. Despite some modest increases in official development assistance, more financial resources will still be needed to achieve the Millennium Development Goals (MDGs) by 2015. We are convinced that trade liberalization could be a much greater source of income for developing countries. Their prospects of achieving the MDGs would be significantly improved if they had better access to advanced country markets.

The Monterrey Consensus called on the developed countries to make a serious commitment to help poor countries improve their living standards. Prompt action and increased aid levels are especially important. The more slowly help comes to the poor countries, the more complex and hard to solve their problems become. I strongly support the United Nation's Official Development Assistance (ODA) goal of 0.7 percent of Gross National Income, as emphasized by Managing Director Köhler in his recent statements.

Despite stronger institutional capacities and better access to markets, the Middle Income Countries also have their share of problems. High level of debt and tight fiscal policies sometimes keep them from increasing their social spending and improving their progress toward the MDG goals. The Middle Income Countries, too, would obtain significant benefits from trade liberalization, in terms of more and larger markets and increased employment opportunities.

Let me also mention the importance of infrastructure. Without electricity, clean running water, and properly maintained roads, there cannot be civilized living conditions, adequate educational standards, or markets for the economy's products.

I am therefore very glad that the World Bank has taken action on this front, by revisiting its infrastructure strategy and launching an Action Plan. I very much hope that the Middle Income Countries can also benefit from this fresh approach to infrastructure.

As to the need to enhance the voice of developing and transition countries, we do not expect a quick fix. But there is no doubt that to pursue the vision of the Monterrey Consensus, it will be necessary to continue and deepen the dialog between the advanced and the developing countries, and to give the developing countries a stronger voice and increased participation in the decision-making process.

When it comes to strengthening surveillance and promoting international financial stability, the Fund's many initiatives launched over the last eight years are very encouraging. But now, I think time has come to closely monitor their implementation. Vulnerability analysis in the balance sheets of the major sectors of the economy represents an important broadening of Fund surveillance. Information flows and transparency issues are also important for assessing potential risks. In this connection, improvements in the completion rate of Reports on the Observance of Standards and Codes (ROSC) modules, countries' adherence to the Special Data Dissemination System (SDDS) and their completion of Financial Sector Assessment Programs (FSAPs), are encouraging, though there is always room for improvement.

The international community and the international financial institutions are working to devise new mechanisms for preventing and resolving crises, one of the more costly lessons of the last ten years is that the policy makers of developing countries themselves should make more efforts to avoid or prevent the emergence of a crisis.

Prudent policies, good governance, better debt management, improving the investment climate, and fighting corruption are important ways for developing countries to avoid crises. Steadfast adherence to a good blend of well designed domestic policies, together with prompt

international assistance, can help greatly. Turkey is a good example of a recovery from crisis achieved by pursuing correct and just policies.

Most importantly, I want to repeat that Turkey is determined to implement the economic program and achieve the long desired goal of economic stability. It is fair to say that our government has made great progress on the economic front. In slightly less than a year, there are already concrete and visible results of the new Government's economic policies. Growth is picking up, inflation is coming down, and interest rates are falling. Turkey has now begun to travel a clear development path leading to reforms on the economic, political, and social fronts.

These reforms are irreversible. Our aim is to have a productive, efficient, market oriented, stable economy. Turkey is now going through a dynamic process of legal, political, and economic reforms on the road to membership in the European Union. Our Parliament has approved seven packages of harmonization laws that will bring Turkey's institutional structure closer to EU standards. The reform movement will bring universal standards and practices to all areas of daily life, from production to consumption, from health to education, from agriculture to industry, from energy to environment, and from justice to security.

Ladies and Gentlemen, I thank you all for your kind attention.