

SPEECH

BY

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**AT THE PRESS CONFERENCE ON
THE OUTCOMES OF THE G20
FINANCE MINISTERS AND
CENTRAL BANK GOVERNORS
MEETING IN WASHINGTON D.C.**

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Ladies and gentlemen, distinguished members of the media, yesterday evening and this morning we had intensive meetings on our G20 Agenda. We reviewed the progress in our Work Program and we identified further work going forward.

Last night we had a Working Dinner with Ministers from low-income developing countries and we had a joint meeting of the IMFC and the G20 on IMF quota and governance reform. As usual, we first exchanged our views on recent global economic and financial developments, global outlook, and risks facing the global economy, as well as the appropriate policy response to challenges and risks.

On the global economy, we noted that global recovery continues, although at a moderate and uneven pace. Lower oil prices are estimated to positively affect the global economy in total. On the other hand, volatility in exchange rates, prolonged low inflation, high public debt, and geopolitical tensions pose some downside risks for the global outlook.

Under these circumstances, we have reaffirmed our resolve to boost confidence and reduce vulnerabilities through effective implementation of macroeconomic policies and structural reforms. We have also reiterated our agreement that monetary policy settings should be carefully calibrated and clearly communicated to minimize the negative spillovers.

We reaffirmed our common view that fiscal policies need to be implemented flexibly to support growth and job creation, while putting debt as a share of GDP on a sustainable path.

As many of you have been probably following, the Turkish presidency of the G20 identified three priorities for 2015 and we call these priorities as the three Is of the Turkish presidency. The first “I” is implementation, the second “I” is investment, and the third I is “inclusiveness.”

As part of our implementation focus yesterday and today, we have concentrated our efforts on ensuring effective implementation of our growth strategy. We have identified key commitments from the Brisbane Growth Strategies that will have the greatest impact on growth. We have also developed a robust framework for monitoring implementation and accountability. We will also work on growth strategies with a view to make it more inclusive. We also are making good progress on our Investment Agenda. We are working on concrete country-specific investment strategies.

Supporting long-term financing for small- to medium-sized enterprises is an important aspect of our Investment and Inclusiveness Agenda. As Turkey, we are working on setting up a World

SME Forum which will have a mandate to provide advocacy, know-how, and knowledge to SMEs around the world. We are working with ICC, the International Chamber of Commerce to launch it.

As the G20 presidency, we are also spending considerable effort to facilitate the development of asset-based financing structures, Islamic financing techniques. We highly welcome the work of the IMF and the World Bank on these issues.

Under the Inclusiveness Agenda, we have also announced a new engagement group, the W20, Woman 20. This will be representatives from 19 countries, plus the EU, working on how to enhance the role and effectiveness of women in business, covering women entrepreneurs. This is also an ongoing study that we are doing back at home and working with all our G20 colleagues.

2015 is a crucial year for the Global Development Agenda. Turkey has made the low-income developing country perspective as a cross-cutting theme for all of the G20 Agenda items. In each Agenda item, we pay special attention on the likely impact on LIDCs, and better reflecting and incorporating the views of low-income developing countries.

In this context, G20 Ministers met with the low-income developing country Ministers at a Working Dinner last night. We had roundtable discussions to learn more about the opportunities, perspectives and development issues, as well as getting first-hand feedback from our Minister counterparts from those countries.

Financial regulation and international tax issues were the two last agenda items of today's G20 meetings. The Financial Stability Board, in close cooperation with relevant standard setters, are making good progress in pursuing the Financial Regulation Agenda. The FSB's and other standard setters' progress in the area of total loss absorption capacity for globally systemically important banks is planned to be completed by the Antalya Summit. Our work on international taxation issues, including the G20/OECD Base Erosion and Profit Shifting Action Plan, is also on track.

Ladies and gentlemen, overall our meetings provided us the opportunity to review the progress in our work plans in several areas. We will get together in Ankara in September to further review and ensure that progress on our agenda items are on track before the Leaders' Summit in Antalya in November.

The G20 is not just a Finance Ministers and Governors meeting; we are also hosting and chairing some other ministerial meetings, like, Labor Ministers which will come together in September, or our Food and Agricultural Ministers which will meet in Turkey next month.

Our Energy Ministers will meet for the first time; we will be hosting and chairing the very first G20 Energy Ministers meeting. Trade Ministers, as usual, will meet. Tourism Ministers will

also meet, although that is an unofficial track. We have also B20 activities going on all around the world. Last week I was in India for another B20 Regional Consultation meeting. Our L20 is also working hard to prepare their proposals for the Antalya Summit.

The T20, we had a major event yesterday here in Washington, D.C., to have the views of the think tanks about what the G20 should be doing. Our Y20 (Youth 20) and C20 (Civil 20) engagement groups are also working.

So, there is quite comprehensive work going on. We are trying to make the G20 as inclusive as possible, not just for the 19 countries, plus the EU, which form the membership, but beyond the membership also. This is just a short summary of what we have been doing and what we are up to.

In a few minutes we are going to have also Agustin Carstens, the Central Bank Governor from Mexico, who is chairing the IMFC. Before he arrives, if you have any questions for what I have told already, please feel free to do so. If it is IMF quota- or governance reform-related questions, I would prefer to have Agustin with me to discuss those issues.

Now, if you have any questions, please feel free to do so.

Question - Did the Ministers discuss the market instability caused by the possibility of a Greek default?

Mr. Babacan - Well, this was not discussed during the official sessions of the G20, but I would assume that there would be bilateral or multilateral talks which have taken place, which I am not aware of.

Question - Are you concerned about the fallout from the Fed exit later this year from its monetary stimulus, and do you think the G20 needs to do more to address the concerns of emerging markets?

Mr. Babacan - Well, this was actually one of the topics of our very first session yesterday evening. I think there is a broad consensus that the Federal Reserve is doing a much better job of communicating what the future policies or implementation could be. Clear communication is very important not just only for the U.S. economy but globally because of the possible spillover and spillback effects. But overall I think what the Fed communicates is very important to follow for all the market players and countries.

Question - The Group of Twenty countries, most countries have expressed their willingness to join AIIB. So, during the meetings with the Chinese Finance Minister, do you have any updates or more details coming up regarding cooperation and partnership with China?

Mr. Babacan - Well, so far, the G20 does not have a collective approach to the initiative of AIIB. As Turkey, we have already announced that we would like to be one of the founding members and shareholders. Now, not in my capacity as the G20 Chair but in my capacity as the Deputy Prime Minister of Turkey, I can say that we welcome the new initiatives. New institutions are important to be active. They should have a complementary function to the already existing international financial institutions and also regional financial institutions. So, we welcome the Chinese initiative, as Turkey.

Question - I just want to clarify that in the G20, in the discussions, there was no concern at all about a potential destabilizing effect that Greece could have on the regional or global economies. Secondly, 6-7 years after the crisis, how concerned are you that the G20 is still grappling with the legacies of the crisis?

Mr. Babacan - Well, as I have already mentioned, the Greek economic circumstances were not part of our Official Discussion Agenda. On the other hand, as a Cabinet member from Turkey who has been attending G20 meetings since 2002, we know that the G20 would meet only at the ministerial level until the crisis hit in 2007-08. The very first G20 Summit was actually held in 2008. Obviously, other settings, like the G7, were not inclusive enough or not representative enough to solve the issues related with global economic and financial situations.

G20 has a high representation power, with two thirds of the global population, 75 percent of global trade, 85 percent of global GDP, and this high representation gives the G20 a strong level of legitimacy in international, financial and economic policy issues. Summits have been a tradition right now. All of our G20 Leaders attend the Summit with quite high motivation and expectation, I would say.

The G20 is now the premier forum for discussion of global economic and financial issues. It works with consensus. Consensus is not always easy to reach, but whenever you reach a consensus, it is a very valuable output, a very valuable decision for the global economy. The G20 has very solid outcomes, like the FSB, Financial Stability Board, or like the new reform agenda and monitoring mechanism that we have decided to work on.

G20 countries collectively committed to structural reforms which will bring about 2 percent additional growth in five years' time, by end of 2018, compared to a business-as-usual scenario. We are now coming up with a monitoring mechanism which has been accepted by all the membership. So, for structural reforms, for commitments, for the implementation of financial regulatory arrangements and also for our infrastructure investments, this is a very useful setup, and we do not have any alternative mechanisms to attain what we want to.

Question - Please forgive me. Just to clarify, you said that the G20 did not discuss Greece's instability as part of its Official Agenda. I am just wondering if you discussed it at all among your members within the G20 discussion.

Mr. Babacan - Of course, in one-on-one meetings, bilateral meetings, there could have been discussions, but these are all private meetings which we do not know what the content is all about. I have been chairing the official meetings and during the official meetings that was not part of our discussions. I am sure our European colleagues might have discussed it. It is a good chance for them to come together, but it is not in my information domain.

Question - Could you explain why the matter of Greece was not important enough for official discussions?

Mr. Babacan - Well, that is a good question, but I think first of all, it is Greece, the European Union, European Central Bank, and also the IMF are the official counterparts of the discussion. Unless there is a demand from those parties to bring this to the agenda of the G20, it would not be very appropriate to have it as a G20 issue or subject to be discussed in the official sense. We know that the European Union, the European Central Bank and the IMF are strong counterparts to provide solutions, and Greece is a sovereign nation to discuss and negotiate with those parties about possible, good, jointly-agreed outcomes.

Question - Do you need a fourth "I," immigration? You have got such a large refugee population in Turkey. Is that going to be on your agenda?

Mr. Babacan - Well, actually since we announced our three Is, we have been offered many, many new Is. I can count maybe five more. Of course, humanitarian issues are very important. We have other international organizations, like the UN, which are more directly involved with immigration issues. As part of a G20 discussion, whatever is very important worldwide from the point of view of humanitarian aid is, of course, important, but we have the UN mechanisms to consider and to take care of global immigration issues.

Now, coming to IMF quota and governance reform, we had a joint meeting this morning with the IMFC and the G20 co-chaired by both of us, my good friend Agustín Carstens, Governor of the Central Bank of Mexico. It was a productive meeting. I will now pass the word to Agustín to give us more information about what they have achieved today.

Mr. Carstens - Thank you very much, Ali. First of all, I would like to commend you for your strong leadership in the G20 discussions today and, of course, for your willingness to work together with the IMFC towards addressing the issues on quota and governance reform of the IMF.

Basically, in this meeting, the Managing Director briefed Ministers and Governors on the recent work done by the IMF Executive Board on options for next steps as called for by the G20 and the IMFC. While we, as members, both of the IMFC and the G20, expressed our disappointment that the 2010 Reforms have not been fully put in place, the membership reiterated our unwavering commitment to the full implementation of the 2010 Quota and Governance Reforms and we support the U.S. Administration's efforts to deliver.

In the meantime, and with the full implementation as the overarching goal in mind, we have called on the IMF Executive Board to pursue an interim solution that will meaningfully converge quota shares, as soon as and to the extent possible, to the levels agreed under the 14th Review. It is important that everybody knows that the whole membership stands together in supporting a strong IMF for the benefit of all. We will continue working to ensure that the Fund is well-resourced to serve all the countries and to continue providing valuable and trusted advice.

Mr. Babacan - Any questions on that specific subject, on IMF quota reform? You are welcome to ask. Please.

Question - So, now I think that both IMF member countries and the G20 are playing the waiting card. Let us just imagine that if the worst scenario happens and the waiting card does not work by the deadline of June, what are some of the other cards that member countries may have on hand in order to make those reforms legitimate?

Mr. Carstens - Well, we were quite reassured by the efforts that Secretary Lew is doing in bringing the Quota, the 2010 Reforms to fruition. He was very reassuring about the intentions. At the same time, we have instructed, as I mention, for the Executive Board to look into interim steps.

I think that there is consensus, absolute consensus in the IMFC and the G20 that the key is to achieve the 2010 Quota Reforms. So, that is the anchor, and we did not discuss any other anchor. The idea is to work on possible interim steps that would lead us to that final result. There are some possibilities there on what these transitional steps could be, but at the end there was no discussion about having a different objective than the 2010 Reforms.

Question - Mr. Carstens, just on the same issue, how effective did you think these interim measures could be in order to restore confidence among the membership on this process, because obviously what you are talking about is a middle-road approach instead of the whole approach?

Mr. Carstens - Well, again, those interim steps would never match the effectiveness of a fully-fledged implementation of the 2010 Reforms. That is why we all kept committed and this was underlined over and over again that we should persevere in pursuing those objectives. Any interim solution would be, as you mentioned, partial. It depends on what shape it takes and it would have different pros and cons.

So, it would be suboptimal, at least if we compare it to full implementation. Of course, it is very likely that those interim steps would imply some benefit for some countries. Certainly, large, fast-growing emerging markets would have more recognition, would have a larger quota share, and so on. But, you know, it would be second best with respect to the full implementation of the 2010 Reforms.

Mr. Babacan - Let me just add a few words. The 2010 Quota Reform has been ratified in the Parliaments of more than 140 countries around the world. So, the international community has demonstrated already a very strong political will to move ahead with the reforms. So, we are very much looking forward to having the quota reform to be also ratified here in the United States as well.

Thank you very much.