

Foundation for fast growth

INTERVIEW WITH ALI BABACAN

DEPUTY PRIME MINISTER, REPUBLIC OF TURKEY



ALI BABACAN is State Minister and Deputy Prime Minister in charge of coordination of the Turkish economy. He previously served as Foreign Minister. Born in Ankara in 1967, he studied Industrial Engineering at the Middle East Technical University before earning a Master's degree at the Northwestern University Kellogg School of Management under a Fulbright Scholarship. He returned to Turkey in 1994 and served as chief advisor to the mayor of Ankara as well as working in his family's textile company. He is a founding member of the Justice and Development (AK) Party.

In its most recent report on the Turkish economy, in September, the OECD highlighted Turkey as the grouping's fastest-growing member, comparing its economic performance to that of the BRIC nations. Among the world's emerging economies, says the Paris-based organisation, Turkey is set to maintain steady growth over the next decade thanks to booming exports, improved tax revenue, and prudent fiscal policies.

The man who can take much of the credit for Turkey's sustained economic step up is Deputy Prime Minister and Economy Minister Ali Babacan. Since the AKP, the party he helped found, took office in 2002, he has overseen average annual growth of 6 per cent, while taming inflation, reining in public debt, and pressing ahead with further reforms to the economy to create a more enabling investment environment.

Mr Babacan says that investment and growth may turn out even stronger if competitiveness and export strength are preserved in the forthcoming period. But as the OECD warns, the recovery may be weaker "if pre-electoral or macro-economic uncertainties undermine confidence, or if the competitiveness of the business sector falters." Turkey's next general elections are scheduled for July of 2011.

Commenting on the global financial and economic crisis, Mr Babacan says the world economy has entered a fragile recovery.

He adds that Turkey has been lucky, and had not hit the Turkish banking sector hard, and that the Turkish economy had recovered quickly.

"Turkey is continuing with strong economic growth. There are certain pre-requisites for this growth to continue. There are strong indicators suggesting that Turkey will grow faster than Europe," said Mr Babacan.

Addressing the key issue of keeping the international money markets happy, he said Turkey's risk premiums were much better than many Eurozone countries, noting that it was not a coincidence but the fruit of the important structural reforms which have been implemented in the last eight years.

At the same time, the Economy Minister also cautioned that despite its economic performance in the first half of the year, the government remained watchful.

"We are exerting efforts to sustain a more reasonable performance," said Mr Babacan.

Mr Babacan says that the government will press

ahead with its reforms, which have involved changes to the Constitution to guarantee foreign investors' rights. "In order to sustain strong economic growth we have to strengthen the foundations with reforms. I see the recent constitutional amendment as a reform opening the door for Turkey's way out," he said.

The Economy Minister highlights the importance of long-term sustainable development, recommending that financial capabilities be expanded and that Turkey utilise its efficiency and production capacity to boost its competitive power.

International role

Mr Babacan can also take credit for Turkey's improved position internationally. During his time as Foreign Minister between 2007 and 2008 – and before that in 2005, when he was the country's chief negotiator in Turkey's accession negotiations with the EU – he calmed fears of an Islamic shift in Turkish foreign policy. Instead, the country's approach has been what he calls a "zero-problems" approach to international relations, which involves management of all regional and international issues.

But the European Union and NATO are the main fixtures and the main elements of continuity in Turkish foreign policy. Turkey has achieved more within these alliances during the past seven years under the AK Party government than it did in the previous 40 years, thanks to Mr Babacan. During this time Turkey's involvement in NATO has increased, with Turkey asking for, and achieving, higher representation in the alliance.

Turkey also has advanced considerably in the European integration process compared with the previous decade, when it was not even clear whether the EU was seriously considering Turkey's candidacy. EU progress reports state that Turkish foreign policy and EU objectives are in harmony, a clear indication that Turkey's foreign-policy orientation aligns well with transatlantic objectives, says Mr Babacan.

And the future? Mr Babacan says that he trusts in the merits of an open society. Speaking earlier this year, he said: "Last year we had difficulties. We overcame those. This year has brought other difficulties, but I believe in the strength of an open society, because free debate is healthy and will bring meaningful results."

