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PANEL
DISCUSSION

The Impact of The Political and Economic Crisis of its Neighboring Countries on Turkish Economy

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PREFACE

May 29 is an important date for Turkish Ministry of Finance, the Board of Tax Auditors and many valuable people pertinent to the subject of the finance and economy of Turkey, since the Board of Tax Auditors, the name of which has written in gold letters to the financial and economic past of the country, was founded on that day.

The anniversaries of this exceptional Board have been celebrated like a festival by many people especially by the Tax Auditors. Besides the cocktail which community members, respectable politicians, bureaucrats and representatives of private sector are participated in, a panel is organized by our Foundation for every establishment anniversary. Topics of the establishment anniversary panels are chosen studiously within the scope of neutral point of view of the Tax Auditors who value expertise and technical knowledge and the experts of that particular topic are invited to our panels.

As the Foundation of Tax Auditors, we had the pleasure of celebrating our 70th anniversary with a panel and cocktail by continuing a valuable tradition of ours. Considering the economic and political developments around our country, we had determined the topic of the panel as ***"Effects of the Political and Economic Crisis in Neighboring Countries on Turkish Economy"*** and ensured that privileged experts on the topic participated in our panel.

I would like also to take this opportunity to share my opinion on a few issues concerning the subject of our panel.

It is an undeniable reality that the dizzying and upsetting developments experienced in the world have a serious impact on world economy.

Especially as being surrounded by Syria suffering from civil war, Iraq facing with political uncertainty, Iran still having problems with the Western World even though the economic sanctions imposed to it have been reduced, Russia intervening in Ukraine, Greece carrying effects of the economic crisis and European Union performing below the expectations, Turkey is under a major economic threat. Undoubtedly Turkey's geography is an important factor limiting its growth power. However, there is an important question to be answered at this point: Are there any other reasons which are blocking of Turkey to reveal a good performance enough?

Economists have been saying for a long time that Turkey has been caught in a medium-income trap. In fact, being caught in the medium income trap is not a surprise for developing countries. Even the countries which have overcome this problem and join the category of developed countries from that of developing countries are in the minority. As you can read from Dear Dr. Martin Raiser's presentation in this note, the countries which are able to get out of this trap can be examined in three groups: The countries which found oil in their territories, the countries having high saving rates traditionally (such as Far East Countries) and the countries which become a member of European Union later. In a country which hasn't got any oil resources with unfortunately lower saving rates traditionally such as Turkey, it seems the only way to get out of medium income trap is to keep decisively on the negotiations with European Union and to create necessary infrastructure in order to make investment in Turkey more attractive.

Essentially this comment is supported by the findings in the book titled *"Why Nations Fail?"* written by Daron Acemoglu and James Robinson. In the aforementioned book, within the framework of evaluations which they made on dozens of countries, Acemoglu and Robinson, by separating from traditional views of many economists/thinkers from Montesquieu to Max Weber, from Jeffrey Sachs to Jared Diamond which are trying to explain the development differences between countries, reach this plain but effective result: *"Development levels are always higher in the countries which adopt the democracy culture, support individual development, have a well-functioning law order, develop inclusive policies/institutions and cre-*

ate an infrastructure where talented and hardworking individuals can be paid off for their works,"

In this context, in order to increase the development level of Turkey and the countries within the geography where Turkey is placed, democracy culture must be placed, a reliable law system must be established, savings must be diverted to the effective investments which have added value and sustainable environment policies should also be developed simultaneously in the region.

Regionally, it is the fact that we are in an economic and political crisis. Although there are etymological discussions about it, I would like to share this quote with you which is attributed to John F. Kennedy, one of the former presidents of USA: *"The word of crisis is composed of two characters in Chinese. One of these characters represents danger, the other one represents opportunity".* In this context, we must remember that we can create opportunities for all of the countries in the region from this chaos. Hope does not end anywhere if there are people as long as we take correct steps regionally, nationally and individually.

Since there are quite valuable explanations made by the experts of the subject in the following pages of the panel notes in your hands, I content myself with making comments this much.

I would like to take this occasion to salute all of my colleagues and friends those who contributed to the establishment of the Board of Tax Auditors, education of each Tax Auditor, preparations and deliveries of these panel notes in your hands with gratitude and thankfulness.

June 2015

Ahmet EREN

Chairman of the Foundation of Tax Auditors

WELCOME SPEECH

Mr. Ahmet EREN – Honorable representatives of the ministries, local governments, NGOs, professional societies, the media, the academicians; our soon-to-start Panel's honourable moderator and speakers; the members of Tax Auditors' Association and Tax Auditors' Foundation; I hereby salute all of you on behalf of the Board of Tax Auditors' Foundation. WELCOME!

Dear guests, today is the 70th anniversary of the establishment of the Board of Tax Auditors. Easy to say. Traditionally, as members of Tax Auditors' Association and Tax Auditors' Foundation, we mark this special day by convening and holding several events.

At our earlier meeting in Istanbul about 5 or 6 months ago, we decided to hold our annual meeting at this premise and as stated in your invitations, we defined the Panel's subject as "*The Impacts of Economic and Political Crises in Neighbouring Countries on Turkish Economy*".

Months ago, the invitations have been sent to leading economists and to those representing the neighbouring countries. I hereby wish to thank the condescending invited guests for their participation: the Moderator Prof Emre ALKİN, Regional Director of World Bank Mr Martin RAISER, New York University Professor Nouriel ROUBINI, Athens University Professor Nicolas BALTAS and President PUTIN's former adviser Dr. Andrei ILLARIONOV.

Dear friends, you will soon listen and assess the precious views and opinions of debaters. But firstly I wish to say a couple of words on the Board of Auditors, Tax Auditors' Association and Tax Auditors'

Foundation. The latter are the NGOs aiming to establish and preserve the solidarity and cooperation within the colleagues. No political opinions or ideologies are allowed here.

As the famous Chinese poet Kuan-Tzu once stated: "*If you are thinking one hundred years ahead, educate the people*". That was the very spirit of the foundation of the Board of Tax Auditors within Ministry of Finance which has been training and professionally educating quality people since 1945.

I guess most of you already know but I wish to repeat again: it is not easy to enter into our profession, only possible after a very difficult examination. The rookies are then trained for three years. After another compelling examination they have got title of Tax Auditor. In addition, after being appointed as Tax Auditor, they continue to learn from their seniors the ethics, experience and righteousness. That is why the Board can be admitted as a school, an exemplary one whereas it also constitutes one of the milestones of our democracy which supports State's foundation.

To draw an analogy, I wish to quote a couple of sentences from Henry Kissinger's book World Order, which I read recently: He says "*We Americans thought that as soon as the totalitarian regimes fall in Middle East, the Arab Spring should prevail and the democratic regimes would come to power. With great despair we have understood that democracy is not a regime which shall be adapted overnight. It requires a tradition, an accumulation of culture, social memory and nongovernmental organizations on which the democracy will stand.*" Thankfully, we differ from Arab countries in this context. While chatting at breakfast today, Mr ROUBINI also made the same observation. He said "*Turkey is distinct, a democratic one*". That's right but in parallelism with Kissinger; I believe that the democratic Turkish order must be supported by non ideological, non political civil organizations such as our Board of Tax Auditors. That was one of the reasons why we have regretted over its and other similar institutions', namely the Board of Finance Inspectors and Headship of Revenue Controllers' abolished in 2011. We shall see the decision's pertinence in the future. Of course it is up to the political authority to decide. But I had observed in my relatively short public service in the Board that the members of this profession were objective, honest and patriotic for which I am still proud to be a member of such a big family.

Reminding you that we have a cocktail in the evening.

I wish to thank to all of my dear friends who made this event real. We are grateful to them. I also thank to respectful speakers and to all listeners for their participation.

We hope that this Panel shall help the decision makers and be beneficial to Turkey,

Thank you.

PANEL DISCUSSION SESSION

*** First Round ***

Prof. Dr. Emre ALKİN – I will first thank in Turkish and then follow up in English. The presenter lady read my CV in such a manner (*The presenter lady read Mr Alkin's CV prior to his announcement*) that we may need to add in a "*he also serves as economist in his free time*" sentence. Eventually I worked in different sectors. Today is a very proud day for me. I wish to thank firstly to Chairman Mr Ahmet EREN for conveying the moderator duty to me where the respectful ministers, members of parliament and our seniors are present. It is not an easy task. But I guess my late father, whom you all used to know closely, is probably watching me and we all remember his concern for the punctuality. I will not let him down.

I wish to thank to all of you again and will now proceed in English so that our guests may witness our hospitality.

Thank you very much. Excellency ministers, member of parliaments, our ambassadors and the masters of the Turkish finance, ladies and gentlemen. I have the privilege to moderate a wonderful panel today. We have four very distinguish guest. I will mention the name right away but first of all I would like to underline the topic. The topic is not a simple topic, is hard one though and I try to translate in English. The topic is *"The Impact of the Political and Economic Crisis of its Neighboring Countries on Turkish Economy."* So we have four speakers, the first speaker will be Mr. Nicolas BALTAS, I know him so well. He was an expert in Euro and Eurozone, in Greek economy. The second speaker will be Mr. Andrei ILLARIONOV and he was the former executive adviser of economics of PUTIN, now he is in

Cato – if I know well- Cato is working for the free trade all over the World. And the third speaker – everybody knows- Mr. Martin RAISER, he is the representative of The World Bank in Turkey. And the fourth speaker will be the very well known distinguish Mr. Nouriel ROUBINI. Every speaker will have fifteen to twenty minutes for the first round, in the second round I will have some small questions and some surprises if you don't mind, and the third round will be the questions coming from the audience.

Mr. BALTAS! You have the floor.

Prof. Nicholas BALTAS – Thank you very much Mr. Chairman. It is realy an honour to be here in Turkey. Because I was here a month ago. When I had the pleasure to address for Turkish universities. And now in a very short period of time back again to Ankara, İzmir and to İstanbul so on and so forth. The paper which I am going to present consist of three parts. The first part has to do the crisis in Eurozone which started in 2008 and it was first hit the mortgage market in the US (United States). Afterwards it came to Europe and hit some European economies like Greece. The problem with Greece has to do that Greece was a country who had long run problems and unfortunately they were not appeared in front. The crisis brought up all the problems and Greece had to face it. As a result of this policy Greece was obliged to take some severe measures which include among other two adjustment programs, one in May 2010 and the second one was in February 2013. Unfortunately the measures which have been taken can not be considered as very effective and this is the part in which the Greek people are objected. Objected the measures, not the policy. The third part has to do with effects of the Euro crisis in the Turkish economy namely via two channels trade and finance. As I said before crisis has started in the mortgage markets in US and then expanded all over Europe. Although the collapse of markets in 2010 was avoided the credit risk and a result of excessive deficits remained at exceptionally high rates.

To this end the first thing which the European Union (EU) was to create excessive deficit procedure and the stability and growth pact. Before I start I would like to give you some idea what happens in Europe.

Table 1-Financial balances in selected Eurozone and other countries

(deficits % GDP in 2006-2012)

Country	2006	2007	2008	2009	2010	2011	2012
			Eurozone				
Belgium	0.1	-0.4	-1.4	-6.1	-4.9	-4.5	-3.6
France	-2.3	-2.7	-3.3	-7.6	-7.4	-6.1	-4.8
Germany	-1.6	0.3	0.1	-3.0	-4.0	-2.9	-2.1
Greece	-3.9	-5.4	-7.8	-13.7	-8.3	-7.6	-6.5
Ireland	2.9	0.0	-7.3	-14.3	-32.3	-9.5	-7.4
Italy	-3.3	-1.5	-2.7	-5.2	-5.0	-3.9	-3.1
Netherlands	0.5	0.2	0.5	-5.4	-5.8	-4.0	-3.1
Portugal	-4.1	-2.8	-3.0	-9.4	-7.3	-5.0	-4.4
Spain	2.0	1.9	-4.2	-11.1	-9.2	-6.3	-4.4
			Non-eurozone				
UK	-2.7	-2.8	-4.8	-11.0	-9.6	-8.1	-6.5
Sweden	2.2	3.5	2.2	-1.2	-1.2	-0.6	0.6
Norway	18.5	17.7	19.3	9.9	9.5	8.7	8.8
Switzerland	0.8	1.7	2.3	1.2	-0.7	-0.4	0.0
Japan	-1.6	-2.4	-2.1	-7.1	-7.7	-7.5	-7.3
US	-2.2	-2.9	-6.3	-11.3	-10.5	-8.0	-6.8

Source: OECD (2010a), Economic Outlook, No.87, May; OECD (2010b) No. 88, November.

The table 1 shows the financial balances in some Eurozone and non-Eurozone countries. As you can see, most of the countries don't respect the limits of 3%. It is supposed that all the countries which belong the EU show the respect. Unfortunately all of them they don't respect. And I would like to tell you one thing that France and Germany who are supposed the billionaires of Europe, they were the first two countries who is violated the 3% limit. As you can see also some other countries like Ireland which is in the beginning also right afterwards in crisis the limit of 3% to 32% so on and so forth. It is interesting to say that countries which aren't belong to Eurozone like for instance Sweden also Switzerland are not members of Eurozone, however they respect the limit of 3%. This means that the Swiss direct democracy political system exercise control on public expenditures more than the other countries which are supposed to have control since they belong to the Eurozone. Coming now to the second table which has to do with a public debt which is supposed to be 60%.

Table 2-Financial balances in selected Eurozone and other countries

(debt % GDP in 2006-2010)

Country	2006	2007	2008	2009	2010
		Eurozone			
Belgium	91.3	88.0	93.2	100.1	103.0
France	70.9	70.0	76.1	86.4	92.0
Germany	69.4	65.0	69.0	78.2	80.0
Greece	107.9	105.0	102.6	114.9	129.0
Ireland	28.8	29.0	48.5	70.0	105.0
Italy	117.2	113.0	114.5	122.9	131.0
Netherlands	53.9	52.0	64.6	69.5	75.0
Portugal	73.1	69.0	75.2	87.0	93.0
Spain	42.0	42.2	46.8	58.4	72.0
		Non-eurozone			
UK	46.0	47.0	57.0	75.3	81.0
Sweden	50.3	47.0	44.0	52.0	51.0
Norway	60.5	58.4	56.0	59.9	59.0
Switzerland	50.3	46.0	44.0	44.4	42.0
Japan	172.1	167.0	172.1	189.6	198.0
US	60.8	62.0	70.0	83.9	93.0

Source: OECD (2009), Economic Outlook, No.85, June; OECD (2010a), No. 87, May; OECD (2010b), No. 88, November.

And again also you can see the most of the countries don't respect. I would say that if a country does not respect the 60% it has not be a member of the Eurozone. However they invented a trick in order to bring some countries, I don't like to mention it, to become a member of the Eurozone. And what they invented, what they set that in case if a country has more than 60% it should have a declining trend that means within a short period of time the trend should be diminishing.

Now to the a new European economic governance the EU respond to the crisis first by agreeing on stabilization for Greece. Unfortunately Greece was the first country who had to accept all the pressure in the beginning. And afterwards the EFSF (European Financial Stability Facility) was achieved who has a main purpose calming the markets. The European Commission has proposed the number of proposals among them: The first one was the excessive deficit procedure and the second one was the stability and growth pact. The European Central Bank made also some other proposal which were in the same direction as the European Commission. What I would like to say is that in October 2011 in The European Summit there was an optional proposal which would you say to print more Euros as it happens with The Bank of England and also with US. Unfortunately this proposal was turned down by the Chancellor of the Germany. Why it was so? It was so because Germany the most of the wealth is in deposits. And the stability pact for The Bundesbank was to have price stability that was the main effect. O.K. stability is one aspect, what about growth? What will happen without growth? O.K. in case if you have stability of price, it is alright, but what about growth? The problem with the most of the economies has to do with growth, for instance in Greece now, not only in Greece, in Spain, in Portugal and so on is growth. What will happen without growth? In March 2012, there was a restructure of the public debt in Greece and the restructure means that there was total hair cut 70%, but you can hair cut this year, after 5 years, somebody asks what is going to happen? On the 5th of June this year, the Government in Greece was ready to restructure again the debt; with a restructure of the debt, it does not mean that we solve the problem, if somebody is ill and you give him just an aspirin, it doesn't solve the problem, he should be also ill, he would be ill. Again in September 2012, I tell you the main steps of the formation of the Eurozone during the last 10 years and so. In September 2012, the European Central Bank (ECB) decided to purchase new bonds, unfortunately the ECB didn't have a right to purchase new bonds, the ECB did not operate as a bank. It is a quasi bank I would say. In autumn 2014, the biggest European banks, the number of which is about 120, decided that the ECB should supervise all this 120 European banks. The most important thing from this reform was all the banks should work together with the ECB. In January 2015, the ECB announced that an asset purchase program provide it that a country should be within the context of a program. If it is not in the context of a program, this means that could not take all the advantages of this program. For which reason that has been done? That has been done for two reason. One reason was to increase consumption and investment and than to increase inflation. Unfortunately, the inflation rate in Eurozone is less than 2% at the moment.

And now coming to the Greek economy. The Greek economy in 2009 had 126% public debt quite above the 60% which I mentioned before. And now the debt is more than 175% and it is supposed to come down in 2020. As a result of this situation Greece, as I said before was obliged to follow two adjustment programs. As an effect of these adjustment programs the GDP of Greece within a period of 6 years was reduced by 27% . Can you understand what means for a country to lose 27% of GDP within 6 years? It is a huge amount. And what it implies? It implies that the poor became poorer. What does it mean that we obey this Maastricht Criteria? This means nothing. If you are a poor, what you are going to serve with poorness? You serve the poorness, nothing else. And not only that the unemployment reaches to 26,5% and mostly was hit the young people less than 50 years old. Productivity became positive in 2011, increase of productivity is not due to increase of production, it was more to the increase of unemployment.

In 1974, the debt to the GDP was only 18%. In 1974 democracy was restored in Greece. Unfortunately the debt was continuously increasing and the situation was due the fact that the Governments increase the expenses in order to have a peaceful political life and to have votes. I'll have to emphasize this peaceful political life and have votes. The situation has continued until 1986 when Greece decided to become a member of the Eurozone. Although Greece, between 2002 and 2014, had a rate of growth of 4% which is considered one of the biggest one in the Eurozone, however I would say that the Greek governments did not take advantages of this favorable conditions and the situation was again increased debt. As a matter of fact in the beginning of 2012 Greece obliged to ask for a loan, the amount of which was 110 billion Euros, 70 billion was coming from the Eurozone and 40 billion was coming from the IMF. I think I would have to stop here, I have much more to say but I think I'll continue on the second round.

Thank you very much.

Prof. Dr. Emre ALKİN – Thank you very much professor BALTAS, on the second round I'll have some small questions and surprises to you, because I am a bit curious about what is happening in Greece because you have a wonderful quote last week or two weeks ago in Istanbul, you said *"The Greek crisis will be end soon";* Is that true? Do you resay that? If it is so than you will answer on the second round.

Of course on the neighbor of Turkey we have many crisis and we have a crisis in Russia as well. So we face the same crisis in Brazil, Russia, Turkey, we are on the same pot. Dr. Andrei ILLARIONOV was once upon a time a former chief executive adviser on economics of Mr Viladimir PUTIN. It is hard job tough, isn't that so I don't know. Now, he is in Washington, a bit more on the safe place far away from Russia but still many information you have I know that, please can you inform us what is happening in Russia and what is the impact on Turkey? If you have some points to tell to us, I'll be glad you.

You have the floor, thank you very much.

Mr Andrei ILLARIONOV, PhD – Thank you very much professor ALKIN. Good afternoon ladies and gentlemen. This is very high honor, special privilege for me, to be here in Ankara, on invitation of the organizers to this wonderful panel. It is the first time for me, to be in Ankara, I have been several times in Istanbul, but it's the first time here. And, since time that I came here, I was able to see something here and around and I was very positively impressed by the progress, that had been achieved by Turkish economy, Turkish society, over last several decades and I would like to congratulate you with those achievements.

Also on the way here, I will probably make one comment that does not have a direct relation to discussion, but maybe it will be relevant for this high audience. Because as we all know that in one week Turkey is going to election. And I red on the way here in the newspapers that one of the important issues that is going to be debated in the last days of the electoral campaign, and might be decided during the election. The issue of transition from the parliamentary system to presidential system, if I'm not mistaking. If so, it is relevant. Because about 10 years ago, in the Institute of Economic Analysis that I have been there at that time, as long as I was a presidential adviser on economics, we had a very interesting project, trying to measure the impact of different factors on long term economic growth. As you are all aware, its very fashionable business among economists to measure different factors and trying to find any impact on economic growth is a short term or long term. So we also have been looked to this business and we have collected data for all countries of the world for the 55 years from 1950 to year 2005 so just slightly more than a half of century. And we try to some kind of looking to different factors and including into the factors of political system. Presidential system, parliamentary system, all some kind of mix system we put aside, we just compared these two factors. And we found that on average, for all countries of the world, regardless of the regions, regardless of the backgrounds, regardless of the level of economic developments and a many other factors, we found that GDP per capita on average in parliamentary systems was roughly twice as higher than in presidential systems. So roughly speaking about GDP per capita on average for this 55 years about 2.1% for parliamentary system and 1.2% for presidential system. We suggest that probably in for some short period of time presidential system does provide an opportunity to make a breakthrough in some particular political situation, economic situation, security situation and so on. But if we are talking about the long term growth, so it looks like that parliamentary system does provide much more solid foundation from the part of political institution for sustaining high economic growth.

But now, let me move to the topic that we are going to discuss today, the economic crisis in countries surrounding Turkey and Russia. Just last night, Russian Statistical Agency has released raw data for different sectors and branches of the Russian economy. And we also, the Institute of Economic Analysis Agency, were able to process data to produce the numbers for real output. This is indicator which is a proxy to GDP. The GDP has been produced by official statistical agency on a quarterly basis, but we are some kind of working at the capacity something similar to The National Bureau of Economic Research in the United States that are trying to measure the periods of economic growth and recession these kind of measuring the stages of business cycle. So we process these data on the massly basis and just base on these data we just produced last night the kind of information that Russia has entered the stage of recession. This is the first place of this announcement I can make even Russia, Russian public does not know it yet, so you are first to know it. OK because these data have been, as I said already, released yesterday and we processed this morning here, I have some kind of honor to report to you.

So which means that over last 6 months since November year 2014 Russian economy in turned the real output. And is very close proxy to GDP is in negative area. So it is recession. And this is a topic not only of last night, or today, or last several months, and even longer than several months, the main question is, what are the reasons of this crisis and the recession? And what are the factors? And what can we say about the potential lengths, duration that of this crisis and this recession based on what we know about the factors of this crises and this recession? And the main theory about the Russian crisis has been produced by very well-known economist Anders ASLUND who is a very well-known person, has written many books, very prolific in writing about Russian economy, Ukranian economy and in other issues, he has suggested that there are 3 main reasons for the economic crises in Russia; internal structure problems, fall in oil prices, and third; sanctions introduced by western countries, US first of all, Canada, EU, some other countries on Russia, as a result of Russian – Ukranian war, occupation and annexation of Crimea. Now just we can look into this explanations and just to see whether those factors can explain the economic behavior in Russia.

OK! First of all, if we look into the basic indicators for economic recession, it is pretty impressive. From the peak of economic activity, GDP declined by more than 6% by April this year. Industrial output declined by 3.7%, retail trade by 9%, investment by 16,5%, agriculture by 21%, export by 34% and import by 41%. So just it gives you some impression about the size, depths of this particular crisis. But what is the most interesting in this regard that if GDP we now know there is recession or real output is some gonna in decline for last 6 months, some other sectors and industries are in recession for much longer period of time. For example; real income of population for more than 8 months, retail trade for more than 13 months, for more than 1 year, transportation for 18 months, import for 27 months, but what is really impressive investment for 30 months. It is a kind of gradual, it is a long, and it is a slow process which has been accelerated in the last months. But it is already for 30 months and export even for 40 months, so it is for more than 3 years. So that is why with all the respect to attempts trying to explain this particular crisis, this particular recession has been started with the economic sanctions introduced on Russia by Western powers is factually incorrect. So, the crisis started much earlier and the sanctions might aggravate crisis but certainly sanctions could not start this crises. So, it is quite clear. As for so called internal structure problems over last year, two years or a few years we don't see any substantial differences between what Russia is experiencing today with structure of economy or structural attitude and what Russia had in the period between year 2000 and year 2008 when Russia experienced economic growth of on average 7% per year. That was a period of economic boom. Our colleague from Greece just mentioned that Greece is in economic crisis for 6 years and has GDP declined by 27%, in comparison, Russia had its own so called great recession not for 6 but 9 years from 1989 until 1998. And that time Russian GDP declined by more than 40%, industrial output declined by more than 60%. And then after especially very painful 1998 financial and economic crisis a new team, new economic team, new political team have been formed, and we were able, I was part of the team, to launch a new program, a new economic program, program of economic policies with substantial, very serious and deep reforms for government sector, reduction of government expenditures, simplifying tax structure, introduction flat tax, introduction of stabilization fund, repayment of national debt, substantial reduction and regulation and so on. All this package has produced economic boom, that continue for almost 10 years, and let to doubling GDP per capita in Russia, more than even doubling GDP per capita, and doubling Russian GDP.

But it is interesting that this wonderful great picture has changed very dramatically in the following period of time. We need to find out when were that crucial turning point from pretty good economic growth, actually economic boom by almost standard definition about 7% per year to very slow growth of about 2% couple of years ago to recession right now. We have two turning points that I would like to tell you, one of them was September year 2011 and the other one was October year 2014. What has happened in September year 2011? Have a look into the main economic indicators we had pretty good growths even after economic crisis of year 2008 and year 2009, for a couple of years after that we had exactly continuation of this economic boom about 7% per year. Everything has changed in September year 2011, after these months all these indicators went down and pretty soon became close to some kind of not maybe a recession but very meager growths. In September year 2011 happened one but very serious political event, Mr. Putin and Mr. Medvedev who then were occupying correspondingly positions of the prime minister and president decided to swap their seats. And this event has been interpreted by business community in Russia regardless whether it is domestic or foreign or whoever, as a very clear sign. And after that, people stop to invest. And the decline in investment, first of all some kind of going to the flat area and then the decline investment starting from September year 2011. So just the beginning of this crisis on this recession looks like have a very clear political root.

Another date is October year 2014. And this month at which business community in Russia finally understood, the war that has been launched several months the conventional war against Ukraine that has been launched in February year 2014, but hybrid war has been started in even early in July year 2013 is not going to be stopped, is going to continue. And business community has reacted on this event with a massive capital outflow from Russia. Have a look into the numbers we would find that Russia had different time, sometimes very substantial capital flight, sometimes very moderate capital flight but October year 2014 was the crucial month from which capital flight on the monthly basis was never less than 10% of GDP.

Just you can imagine that if some event has drain on economic resources in the country at level of 10% of GDP on the monthly basis; that was a beginning of real recession. And also we look into what was the reaction of the authorities to avoid this recession toward this crisis. Many people in Russia and outside the Russia expected the response from authorities to this year 2014 and year 2015 crisis in Russia would be very similar to the responder Russian authorities had on crisis in year 2008 and year 2009 with a massive support for business with subsidies, subsidies for population and so on. The main issue then was just to keep living standards approximate on the same level as before. But they managed, mostly managed it. This time everything became absolutely different. Very conscious decision of the Russian authorities was to use economic resources of the countries for military purposes and reduce all possible social expenditures. As a result we have decline in real income by 10% over last 6 months, we have real decline in retail trade by more than 10% over this period of time. We have a very substantial decline in resources that can be spent on services by private sector. On the other hand, military expenditure that before the Ukrainian war are at level between 2.5 and 3.2% of GDP for previous 15 years, during year 2014 at the level 4% of GDP. In the last several months they have been kept at level 10% of GDP. 10% of GDP is enormously high level of military expenditures. This level of military expenditures indicate that its not, if its possible to do what has been done during Ukrainian war was military expenditure at level 4% of GDP and if it is now 2,5 times more it means it is a preparation for something much more serious. Business community and people in Russia do understand maybe do not understand all mathematics of budget expenditures but they do understand that something really serious is going on and it is a really some kind of strike, is a kind of overall national strike, not to invest, not to do business, not to be involved in any business activities and people just stop to do anything and this is the result.

So we have our recession that has two main roots, one is a political root that can be traced back to September year 2011 but the main reason, main fact of the current recession is the war. This is a recession caused by war.

Thank you.

Prof. Dr. Emre ALKİN – Thank you very much Dr. ILLARIONOV. So far from Greece we heard instability and ongoing crisis; and from you Dr. ILLARIONOV, we heard depression and arising anxiety actually from Russia. So far no good news, but we still have hope because we still have two speakers.

On the second round maybe I'll ask some questions to floorers. Luckily maybe Mr. ROUBINI will give us good news about the world economy. So Mr. RAISER you have the floor and I know that in 20 minutes maybe you will say some miracles about the Turkish economy. I am joking, so you'll speak the reality.

Mr. Martin RAISER, PhD – Thank you very much Professor ALKİN. Thank you very much Mr. EREN and to the The Tax Auditors' Foundation for this invitation. Çok teşekkür ederim. I was stick to English I am afraid.

I am going to speak about 3 different things in one presentation. The first thing I want to speak about is a little bit how we look at the world economy right now. The second thing I want to speak about is how we look at Turkey in the context of the concerns that many emerging markets have had that the good time seem to be over. The boom that Andrei talked about in Russia that people here remember so well because I was just recently that Turkey had 10% growth rate. The boom that we saw in places like Brazil, may be over. And some people worry about the middle income trap so I'll have to say a couple of words about that. And than thirdly I want to say if you worry about Europe and in relation to Turkey. I will end on the rather more optimistic note, because I am optimistic about Europe and I am also optimistic about Turkey. I could be optimistic about Turkey regardless of what happens in Europe but I think the two mutually reinforcing.

How we look at the world ecnomy, I am going to talk briefly about oil prices, interest rates and the trade slowdown and you see in the other two things. The oil price decline is the third largest in the recent history. *The first one* is when OPEC abandoned price targeting back in the middle of 1980's on the price fall by 66% in 82 days. *The second* decline is the first gulf war when the price decline by close to 50%. *The third one* is the financial crisis when the price of oil decline by 77% in 113 days, and this is the recent oil price decline. So it is the third largest in the recent history which means it is pretty large. And we expect the oil prices to remain relatively low together with other commodity prices despite of the recent oil price recovery. There has been a slight recovery or actually quite a substantial one in some ways if you look at the very trough reached in January. But we don't think this is a game changer, it is the early a price decline that is a game changer and low commodity prices likely stay with us for the next two three years at least maybe even be more.

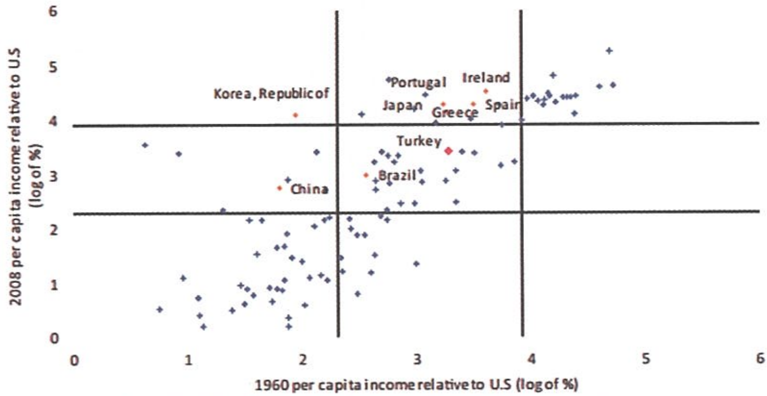
Third we see the long shadow of US interest rates rising most importantly reflected in the behaviour of the currency markets, you can see here how the trade waited currency index for the US dolar is increasing at the same time as the Euro is decreasing, what this foreshadow as a shift in relative interest rates going up in the US staying low in Eurozone. And this is having measure implications for the currencies of a lot of emerging markets for those that have flexible exchange rates such as Turkey. So we see measure depreciations of emerging market currencies against the US dolar less so against the Euro and this has measure implications on financial flows.

The impact of the possible increase in US interest rates which everyone expects to happen sometime in the second half of this year, 2015 or at the very latest in early 2016. The impact is some mitigated by the fact that the European Central Bank (ECB) decided early in March 2015 to launch on their own program of quantitative easing. And we have some research that looks at what was the impact of US announcement quantitative easing on emerging markets and we can use that to somehow trying compare the impact of the announcement of the ECB to conduct open market operations and special monetary measures. The point that I want to make this is a bit of a complicated chart is that overall the ECB's action is a mitigating factor to the possible increase in US interest rates. But the impact is differentiated at across regions. Because Europe is much more important as a source of bank fund whereas the US is the important source of equity investments into emerging markets. So we believe the impact on countries that rely mostly on bank flows including for instance Turkey is going to be more benign than the impact on the countries that rely a lot on equity flows which are more important in their origin from US. And then third point on the global outlook is the relationship between growth and trade has changed post-crisis, pre-crisis trade was growing at annual rate around 7% now it is growing at annual rate around 3,5% half of pre-crises rate. This has implications for emerging markets that rely on trade growth to lift up their own economies partiucularly those that have in the previous growth model relied heavily on consumption based growth.

To summarize the decline in commodity prices is good news for most but the effect mitigated because it is not good news for coutries such as Russia and others that rely commodities. The confidence levels among investors in the world economy is still low and low about constrains the monetary policy responce the overall impact on of lower oil prices, lower energie prices is less than you will think and this is reflected in our forecast which haven't been revised upwards. If we took just the impact of oil prices we would say the forecasts should go up, but because of the mitigating factors our forecast for the global economy have not been revised upwards by a lot. The interest rate increase leads to reallocation of global financial flows the impact is particularly similar countries such as Turkey that rely a lot on the inflow of capital from abroad. It is mitigated by the ECB quantitative easing. And there is a risk of increased volatility in the months ahead as the world adjust to shift in central bank policy. The low trade growth is a challenge for all emerging markets but particularly those that have previously relied on excessive domestic consumption. The implication for all emerging markets is that is the time to get back to the structure reform agenda. There was an interpretation particularlly during 2009 and 2011 when Europe and the US was in crisis where as emerging markets seated very well, that this is a crisis originating in Wallstreet, perhaps in Europe. We don’t need to worry about it. 21th century is ours, we will grow no matter what.

I think there is now a realization that even an emerging market despite of a global trend towards convergence you have to do some homework if you want to benefit, and it is time to do that homework. The implication for Turkey is the some adjustments on the current account deficit but the growth witness that we have experienced in other emerging markets as also here in Turkey and low oil prices and other global developments provide no cure for that. We will refrain from presenting new forecast for the Turkish economy today because we are going to launch them on June 11.

Turkey and the Middle Income Trap

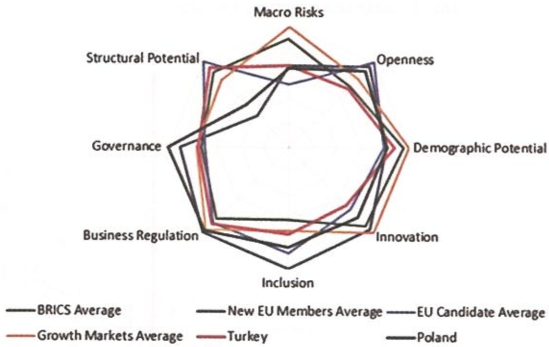


Source: World Bank (WB) staff calculations using Penn World Tables version 8

Second point; Turkey in the middle income trap, this is the 1960s versus 2000s and it is GDP per capita relative to the US where we take the levels of 30% and 60% to be the defining band for middle income and you can see the Turkey relative to the US was middle income in 1960, it is still in middle income today. The important think is when you look at the countries that are appear, these are the countries that were middle income and that have become high income by that particualar definition, that group is relatively small. In fact then I will come back to this includes 3 groups of countries. The first small group of countries that discovered oil when they did not have in 1960s, the Asian Tigers second group of countries that have savings rates in access of 35% of GDP and the third countries that became members of the EU during that period and benefited from what we call the European convergence machine. Turkey does not have oil, its savings rates are not 35% of GDP, it may be at some point become EU member but it is already a part of European convergence machine, that is why I am optimistic for Turkey.

Now the middle income trap however still needs to be overcome and Turkey is challenge by the fact that its growth model is very reliant on domestic consumption. And that the reforms that are so crucial to derive investment and a help the country move to high income statutes have noticeably slowed down in 2007. So there is clearly need for a new growth model for Turkey.

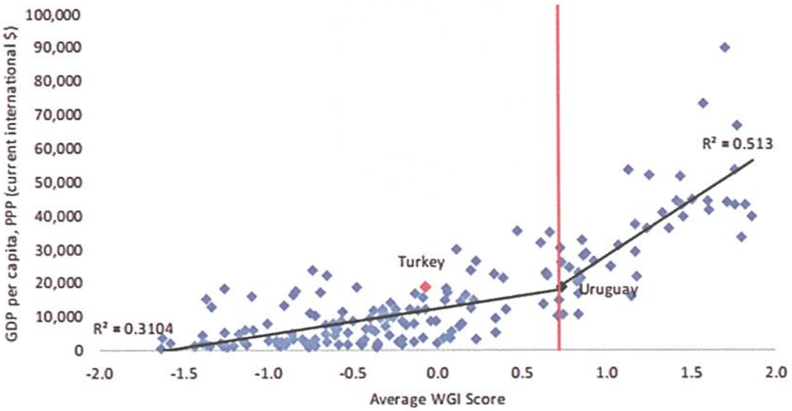
A Middle Income Trap Risk Map



Source: Authors calculations based on data from IMF, World Bank, Fraser, Transparency International and the World Governance Indicators.

We have done some work to look at other countries, we have done meta study of all econometric studies that look at growth slow downs at the middle income trap, I don't want to bore you with the details but the result is middle income trap risk map and it has a number of factors, macroeconomic imbalances, how open the economy is, how young it is because all the economies tend to grow most slowly, how inclusive it is, how good is the business regulations and the system of public governors and how strong is the structural potential for catch up as a result reallocation from agriculture to industrial services. Turkey's weak points are openness, innovation, inclusion and macroeconomic risks compare to other peers in that particular group. So this gives you an indication of what is needed for reform. But we have done a whole book analysing Turkey's achievements as well and that book goes into a little more detail what we think Turkey needs to focus on. And needs to focus on innovation on FDI, on capital markets, on better regulation, needs to focus on labor markets on family policies to encourage women to work, and on investment and skills and perhaps most importantly needs to focus on the rule of law and on strengthen the regulatory institutions.

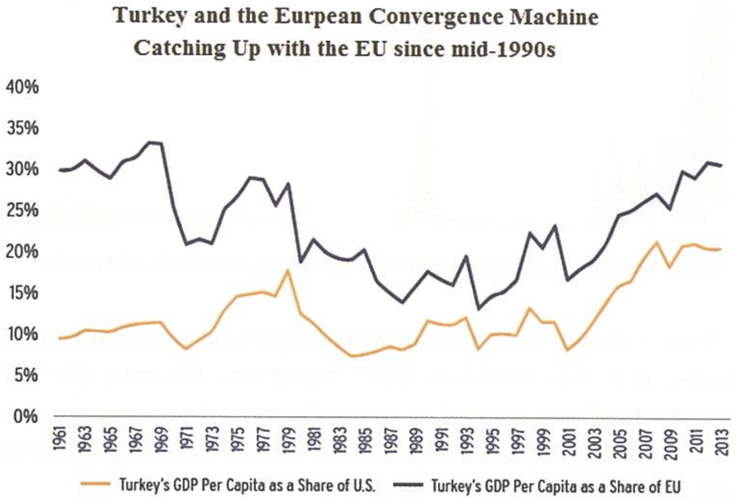
Deepening Institutional Reform Matter in Particular for Transition to High Income



Source: WDI, WGI

And the last point can be illustrated in this slide, this is a very simple slide but it is actually quite powerful. This (vertical left side) is GDP per capita and this (horizontal side) is the average score on the wellbeings governance indicators produced by my colleague Daniel KAUFMANN and a number of associates. And you can see how that relationship is relatively flat up until you reach a certain level of income equivalent roughly to the income of Uruguay, roughly the same level of income as Turkey but quite a bit better in governance. And after that the relationship becomes a lot more steep. An other way of saying this is there may be different paths to get the high income or to get at least upper middle income. But once you reach of particular threshold there seems to be a convergence around the kinds of institutions that needed to make high income economies functions. Maybe this is related to the point that Andrei was making about his long study of political systems, very similar results have been found for instance for the impact of democracy in economic growth etc.

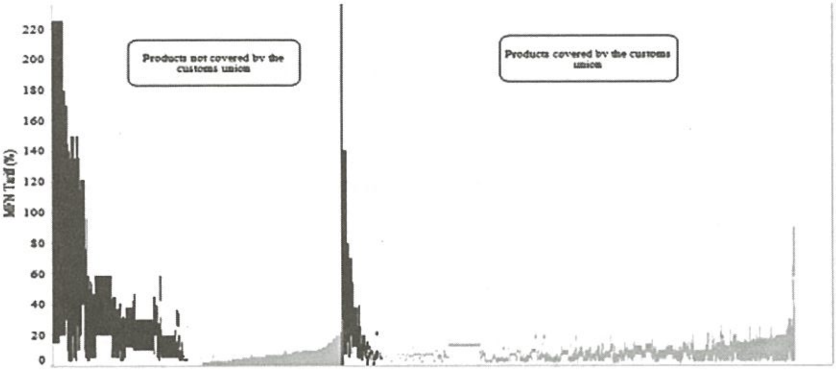
Final point in the 2,3 minutes that I still have, Turkey and European convergence machine.



Source: World Development Indicators

When you look at Turkey's GDP per capita against the US or the EU average you can see that nothing much was happening until around the mid 1990s. In fact relative to the EU Turkey's income declined and relative to the US it stay roughly stable. Since the mid 1990s we see a process of convergence started relative to the US as well as relative to the EU. This is very similar to what we see across emerging markets as a whole. But it does coincide in Turkey with an intensified period of integration with the Eurpean economy. Most importantly and many of you well know this in 1995 the Customs Union Agreement between the EU and Turkey came into force at the end of 1995 and this has had measure impact on the modernization of the Turkish economy particularly of the manifacturing sector.

European Convergence: the role of the Customs Union



Source: World Bank staff calculations at HS-8 digit level based on UNCTAD TRAINS.

This is shown in the slide here, black bars represent tariff increases, grey bars represent tariff reductions, basically the Turkish economy has been opened up to the Customs Union, in areas where the Customs Union is not relevant the Turkish economy has become more closed rather than more open.

Finally what about the European anchor in a multi polar world, there are two models of catch up as I mentioned, actually there is a third one which is defined oil but that is not relevant for economist so let's just focus on two. The first is the do it yourself model of catch up of the Asian tiger. If you prepared to spend as a teenager 12 hours in school, save as a nation 35% of GDP and work over 60 hours a week than you are probably ferocious enough to become an Asian tiger. But most nations do not want to work quite so hard or save quite so much for the future. They want to have a balance between enjoyment today and enjoyment tomorrow. If you are one of those nations you might consider the second version of catch up, European catch up. Now European catch up as professor BALTAS will tell us is not automatic. There are structural conditions that is necessary for countries to benefit from European integration. But when we look at the countries that have escaped the middle income trap around half of the 12 countries that we can count on the World have been new EU members. Ireland, Portugal, Greece indeed, Spain and more recently the Baltics, Poland, countries like Czech and Slovak Republic etc. Turkey is already economically very much part of Europe. I would argue that going forward the European anchor still provides hope for Turkey to help overcome the middle income trap. This would be particularly the case if Turkey widens the EU Turkey Customs Union to include services in agriculture, if it can continue to rely on bankings flows from Europe to finance its ambitions infrastucture expension needs. And if it uses the integration with Europe to strengthen its own economic institutions and rule of law. So let me stop here.

Thank you very much.

Prof. Dr. Emre ALKİN - Thank you very much Dr. RAISER, especially with the wonderful and true remarks. I was the Secretary General of the Turkish Exporters Assembly for 7 years and right after this duty economists ask me: *"-Emre can you define me the Turkish industry?"* I said *"It is easy".* I swear the God. I am processing in a very low cost but the quality things, like that. It is not promise in much I know that. We just look in innovation and today I am happily to announce that Turkish Exporters Assembly is investor in innovation for the common ten years and we will invest more.

We have Mr. Nouriel ROUBINI. Dr. ROUBINI is a professor of economics in the New York University and also as mention in Turkish here is the chief adviser in economics in the White House.

You have the floor.

Prof. Nouriel ROUBINI – Thanks very much for the invitation. It is a great pleasure and honor to be here and among all these distinguished guests and policy authorities. It is always pleasure being back to Ankara. I come to Turkey at least once a year whether in Ankara or Istanbul or all other parts of the country.

I will try to stick as much as I can to the title of our panel, how much economic and political crisis in the neighboring countries had an impact on the Turkish economy. If you look at the Turkish economy in the last 15 years, we have seen cycles of stronger and weaker growth. After year on financial and banking crisis of 2001 there was a massive macroeconomic adjustments structural reform clean up in the financial system; between 2001 and 2007, there was a strong economic growth averaging around 5% or so. Then of course global financial crisis came that let to a massive slow down of growth to out a down economy is recession and even sharp slow down of course in Turkey being a small open economy. And certainly then the exacerbation of the US crisis into a Eurozone crisis, we saw that crisis also had further reprobation on the Turkish economy. Certainly 2008, 2009 was a difficult period of time. Than you have a reasonably stronger recovery of growth about three years between 2010 and 2012 about 4 to 5% growth. But it has been surprising that for the last couple of years since 2013 the growth slowed down significantly. Most economists would argue that potential growth of Turkey is 4 to 5% and but the average growth of the Turkish economy in the last couple of years has been 2,5 %, this year maybe slightly better but still below 3%. Therefore the question you have to ask yourself is this cyclical or is it structural is it being in a bad neighborhood, or being hit bad in a external shock, or it has something to do with something deeper to macroeconomic policies or structural economic policies of Turkey. And my answer is going to be that of course is the combination of these two. As I will discuss the economic and political crisis of a number of countries around you have not been helpful, so you have been had a bad luck for being over in bad neighborhood. But certainly the quality of macroeconomic and structural policies in the last couple of years might have gone in the wrong direction.

Now which are the neighboring countries regions that are political and economic turmoil that has an impact on you. First one is the civil war in Syria. The second one is Iraq. We have the situation with ISID, even a risk of break-up of Iraq, and the continuing internal balance. The third one is, of course Iran, with a perspective maybe if a nuclear deal is achieved right now there might be overtime lifting of the sanctions that have been posed by global powers on Iran. The fourth one is of course the Russia-Ukraine conflict that let to the Ukraine civil war. The fifth one is the Greece and the risk of potential Greek accident if not a Greek exit from the Eurozone. And the last one is the crisis of Eurozone in EU where we had low potential growth, with not just Greece but Ireland, Portugal, Spain, Cyprus having significant economic and financial problems, the risk of deflation, even of double deep recession in the Eurozone. So, we have the combination at least of six hotspots: Syria, Iraq, Iran, Ukraine, Russia, Greece and the rest of the Eurozone. I will try to explain each one of these cases, what's the impact in the short run up to a year as opposed to the impact in the medium or long-term, over one year coming from these economic and political crisis. Then I am going to talk about the short run impacts: You can talk about the impact on trade between Turkey and this area of the regions, the impact on financial flows and third the impact on foreign direct investment. And of course these impacts depend on how severe some of these conflicts, as opposed to how less severe become overtime.

Number one Syria and the civil war: The short run trade impact is definitely negative. You are used to export significant amount of goods and services to Syria, because of the civil war these exports have been massively disrupted. The impact on financial flows, you could say that between neutral to positive, slightly positive because there's some capital inflows coming into Turkey from refugees, given the volatility in Syria but those influence have not been significant. What is the impact on foreign direct investment into Turkey? Being in the neighborhood this negative, where you have a conflict in Syria is not one that gives confidence to the international investors about Turkey, unfortunately the civil war and the mess in Syria is not a positive, is negative for FDI to Turkey. What is the medium to long-term impact depends on what's going to be happening to the Syrian conflict whether it's stabilized or gets even worse, but one of the negative impact in continuing time, on the Turkish economy has been that there has been a significant influx of refugees from Syria into Turkey and while that over the long term that might be positive, if these people were to be employed, there is a significant amount of resentment Turkish workers believe that the Syrian refugees are taking away their jobs, wages and income, since they are accepting a lower wages that impacts on housing in Eastern Turkey, rents rising because of the crowding out coming from the refugees, and of course there is some crowding out of public service as whether is school or hospital. And there has been significant negative fiscal impact. Turkey is generous to support these refugees. But it has a meaningful costs unless this problem of Syria is resolved the medium term to long-term consequences for Turkey are going to be negative.

How about the situation in Iraq? I would say that, the effects on the trade are negative. Because it used to export a lot to the Sunni and Shia area of Iraq. Those are now controlled by ISID. So the truckers from Turkey don't want to cross through regions, that mean kidnapped, therefore your export to those is controlled by ISID has been damaged. You have got some benefits because oil from Kurdistan has been smuggled into Turkey, but that has led to negative reaction by the Government of Bagdad saying that that's unfair and there has been a boycott of Turkish product. So, the impact on trade is negative. What's the financial impact, mostly positive due to capital flow from Iraq into Turkey. There's a large initial component of balance of payments, there can be certain of part of it coming from Iraq. What is the impact on foreign direct investment? Negative for out of FDI. Turkey used to do significant foreign direct investment into Iraq, given the mess in Iraq right now this is not the place where safe to the foreign direct investment. What's the medium to long-term impact? Again if the civil war in Iraq were to escalate or even worse, all these impacts are negative. Some people, I don't think that there is strong believe on that among you, if Iraq to break that might be stabilize the region. Might be better to have three states: Kurd, Sunni and Shia would live peacefully with each other then keeping them together. But different people have different vision on that, but certainly more violence, more noise and more civil war in Iraq cannot be beneficial for Turkey.

How about Iran and the impact of the lifting up the sanction? First of all the impact is going to be overtime. The production and exports of oil by Iran is going to be increasing and therefore everything else is equal in oil market, more supply from Iran is going to imply lower oil prices. Everything else is equal for a net importing country like Turkey, that's a positive. The impact on trade is also positive. Your country has done trade with Iran. That trade right has been restricted because of sanctions. If Iran were to not have sanctions, and where the economy starts growing economic and trading links between Turkey and Iran can increase over time and be positive. The financial impacts of lifting sanctions will also be positive. More financial flows from one or the other, and one also think foreign direct investment into Turkey and into Iran being a positive. In the medium-long term there is however one factor that is important for Turkey. If Iran is free to do business and not subjected to sanction, this is an economy whether there's a large labor supply and where labor costs are relatively low for Turkey. And therefore international investors have to decide whether to do foreign direct investments in Turkey as opposed to Iran, if Iran follows right economic policies, unit labor cost in Iran could be relatively lower compared to those of Turkey. Therefore Iran could become a formidable competitor for the foreign direct investment that may come from the western states and from the Eurozone into the region. So, you have to become more productive, competitive, dynamic to make sure that rising Iran does not crowd out your manufacturing.

How about the Russia-Ukraine conflict? The Ukraine civil war. The impact on trade is a mixture. The tourism and trade is negative with the collapse of the value of the ruble of course. Many the Russians used to come to Turkey for tourism cannot afford it. That has been a negative. But given that the sanctions are strict to exports of European and US goods including food and agriculture into Russia, then Turkish producers have been replacing some of these US and European imports into Russia. That has been a positive. Financial affect has been mostly negative this perception of credit risk in this part of the world Central Eastern Europe, even if Russia and Turkey are separate countries, that perception of risk aversion has negative impact on credits risk. And the effect on FDI is negative. Turkey used to have minimum amount of FDI into Ukraine. Given the mess of the economy there, that's not a place in the short run you want to do business. What are the medium to long-term impact, difficult to say, some people say that because of what's going on maybe Turkey is become closer politically to Russia especially given that Turkey's ambitions of joining the European Union for the time being they stalled, but the negative attitudes from France and other members of Europe have the words of those ambitions. And one can have different views on whether having closer economic interaction between Turkey and Russia would be a positive as opposed to being a negative. There are some elements of being positive but certainly in the medium term most people would argue that Turkey being more integrated with European Union is much more large and dynamic capital income in that region of the world rather than Russia based on discussion provided by Dr. ILLARIONOV is a column in the slow-motion decay. Being close to the Russia is not going to be a net benefit. Of course in the short run, there will be political factors like the pipelines PUTIN to announce, one of the pipelines come from Russia towards the European proposing to Ankara stream pipeline. Whether you need that all extra gas coming to a second pipeline given that one exits or not depends very much on your energy policy and how much of demand for gas from Russia is going to be there or not, if it stays stable source of gas, everything else is equal and that margin is positive.

How about the risk of Greece, exit of Eurozone? The trade impacts are negative. Because tourism is used to be cheap in Turkey. But now wages are collapsed in Greece, that has been massive internal devaluation and in relative terms now Turkish resorts might becoming more expensive than it used to be and Greek is cheaper so tourists will choose beautiful islands and the margin is cheaper right now Greece looks cheaper. The financial impact is negative. If the Greek exit of Eurozone were to occur, and therefore there will be financial losses for European banks. The European banks will become risk-averse, therefore lend less to Turkey or do less financial operations into Turkey if a Greek exit were to occur. And of course Greek exit will be subject to contagion into global financial markets and it will be negative. And certainly if Greece were to include impacts on foreign direct investment may also be negative into Turkey. What are the long-term impacts? If there was, Greece is already to exit from Eurozone, that'll lead even more economic and financial turmoil in Greece and in the Eurozone, of course over the medium term it will be a negative.

How about what's going on in the Eurozone? The Eurozone matters and Europe in general because you know 45 % of your exports of Turkey go to EU. And therefore EU matters very much to Turkey.

In case of Eurozone the problem of low structural economic growth. Now that might change over time given reform but these changing too slowly. But suppose that Eurozone remains low economic growth, the trade effect is negative because you export almost half of your goods to Europe, slow growth in Europe means slow demand for Turkish goods. What about the financial impacts? If Europe and Eurozone remain weak and their banks remain weak, then again financial impacts will be negative. And on FDI if Europe is not growing very much, there is not going to be very much FDI from Europe into Turkey, and the willingness to invest and disability Turkish FDI into Europe is going to be limited. So, over time of course if you're going to be in a situation which the Eurozone is a mediocre economic growth let alone theories, that's going to be a very good news for Turkey. Of course if the problem in Eurozone and Greece is resolved and positive surprise would occur things will be different. So, in each of these tales, of course thinking going wrong in Syria, Iraq and Iran, Russia Ukraine and EU, there can going to right direction.

I will conclude after however following the other observation. I will discuss some more in detail some of the stand those risk may affect Turkey but of course you cannot just blame what's happened in the last couple of years to just bad luck and being in a bad neighborhood. Even if the neighborhood in which you are is definitely bad, to better neighborhoods to be in this one. What I would say is the following thing. Some of the problems are self inflicted. Self inflicted in terms of macroeconomic policy and structural reforms. On structural reforms, I'm not going to repeat to representative of World Bank just said, the significant amount of structural reform when you talk to policy authorities there's a long list of things that they should do than they have done it. Now a year ago they say there was the regional election, the presidential election and now the legislative election and of course doing the reforms before election period is difficult, but hoping there's going to be whatever Turks democratically decide next week, let's hope there's a stable government is willing and has power to do economic reforms that are needed and many of them are new that because if you're not going to do them your potential growth is going to be drifted downward, and you are going to be more likely, as I pointed out before to end up into middle income trap. About macro policies I will say the following thing. The fiscal deficit is not very large and the public debt is not very large but given that you have external deficit is very large the savings of the country is too low, you have to increase in savings. Savings in private sector but also savings in public sector. So to be more resilient your twin deficits have to be lower and lower budget deficit everything is equal would imply lower current account deficit. On the external side, the current account deficit is still very large, and inflation is still above target. The thing about the fragile five countries two years ago, subject to temper tantrum, Turkey, Brazil, India, Indonesia and South Africa. Two of them are better off on inflation and external deficit, India and Indonesia; one of them South Africa is better off on the inflation site even it has still large external deficit, but two of them approximately have still too large current account deficit and too large inflation rates. Those are Turkey and Brazil. I would say unfortunately neither Turkey or Brazil based on the internal balance of inflation and external balance of large current account deficit look better today than two years ago. And as it was pointed out the exit of FED however gradually from zero rate policy, and likely appreciation of Dollar could be something that puts pressure. And Turkey has just not the current account deficit but you also have large stock of foreign liabilities some of them are short term have to be a rollover and therefore the gross financing needs of the country in terms of current account and maturing short time foreign currency debt are large enough that if a shock were to occur and if there is domestic political and economic instability together with surprise from the rest of the world then the risk of something more pressure on the currency, on the bond market, on the equity market is a risk that could materialize.

And finally to fight inflation, you have to have independent central bank. Political interference with central bank is not going to be positive, because if interest rates are too low to try to boost growth in the short run, inflation is going to be higher, the currency is going to be weaker and the real value of the local currency is going to be greater. So you play with fire when you try to interfere with the independence of central bank, there should be pursuing of course dual objectives of maintaining inflation at the target well and making sure of course the economic growth is also sustainable. So you are a small open economy, you will be subject to global economic political shocks but as every emerging market if you have the right macroeconomic policies, monetary and fiscal, the right internal and external balance, and the right long-term economic reform, then you make the potential growth stronger and higher you will be resilient and therefore be less subject to the risk of political or economy or financial shock from the rest of the world have a severe impact on you. That is why having the policy of macroeconomic stability and structural reform is key for sustain economic resilience and success and further economic growth of Turkey.

Thank you.

PANEL DISCUSSION SESSION

*** Second Round ***

Prof. Dr. Emre ALKİN – First of all, thank you. Thanks for all the speakers because they've been on time. Everybody spoke around 20 minutes which is a miracle. Like Dr. ROUBINI says making the remark in economics in Turkey is a tense issue. It's just like a family issue actually. When we are talking as Turks, we do not like to hear others. When somebody comes outside of the family, says something, we'd like to hear. That's why it's good to have you here and make decision marks. And it's good to hear that we have to do our own homework. I did mine last night. Actually I just googled in the website. I saw some quotes of our distinguished speakers. Some of the quotes I didn't take is because I don't think that you mentioned it. Actually it's all media. But if you let me just to entertain you and the audience, I'll just not try to be Charlie Rose in Turkey. But I'll try to make you some comments about these quotes. If you put the presentation on it and I will have some small questions about it and I will take questions from the audience as well. So there is a live programme on television in Turkey and there is a little guy like me and he always says that "You cannot escape from your past." So I just took some quotes of your previous past and I start with one of the finest economist in the world. So I was lucky that he's talking not much economics but much the politics as well. So for example there was a terrible crash last year about Malaysian Airlines and he just last year mentioned that this was no accident, terrifying. Secondly he said that Putin was preparing war for 11 years, which is another important and crucial comment for me. And the third one I don't think that he said that. But still I believe in google and I'll mention it. Last week he said that PUTIN is to be removed from power in the next few days. This is Andrei ILLARIONOV. Did you say that really? I am curious to hear about it.

Mr. Andrei ILLANIOROV, PhD.– First of all, thank you very much for this great idea to entertain all of us and definitely the audience. Second, yes it is true. But and this is very important, I'm going to discuss first and second in detail. But third one is very important. Because you admitted very important parts. The very first part was saying that just if all these conditions and all this logic is correct, then PUTIN will be removed from the office in few days. And this very first part has been admitted. So that is why we need to look in the full circumstances and discuss those conditions that logic has been proposed for discussion. And we'll discuss it. Thank you very much for reminding all of us all these. They were correct when I said that so. And the time that past seems to completely confirm that it's correct even today.

Prof. Dr. Emre ALKİN – It's not a small question. If you say that Mr. PUTIN is preparing for a war for eleven years, then there is always a war ahead. So Mr. ROUBINI says that maybe if Russia will release all these problems from his shoulders, Turkey and Russia will be good partners. But we have somebody over there, he is thinking about war all the time. What is gonna happen if Russia and Turkey will be? I don't know. War world friend or? I would like to know what is gonna happen with Russia and Turkey relationship.

Mr. Andrei ILLANIOROV, PhD. – You take Russia as an important and a very wide issue. I don't think that anything in the ground economic situation or history and what we're having right now really could lead to military conflict between our countries. I think relations between our countries are pretty good. There are some disagreements between governments and between some particular people in the governments. And sometimes it is understandable. Sometimes it is some kind of personal issues. But it is definitely not the basics for military conflicts and for the war. Unfortunately our last year and a half, we've had a conventional war. They have been studied by the Russian leadership against the neighbouring Ukraine. They created a big crisis not only in the Russian Ukranian relation but in the world relation. Because it's a violation of about a dozen of international treaties and agreements and United Nations agreements between Russia and Ukraine and Budapest memorandum and many others. So it's also the very first case of annexation of any territory and Europe since 1945 which actually put behold international order. Since unlike Iraq in the case of Kuwait or East Timor occupied and act by Indonesia some time ago. We are dealing for the first time with annexation after 1945 by nuclear power. And that creates an absolutely new situation which we never had before. Because frankly speaking, there is nobody in the world who does know what to do in this particular situation. Because the all system that has been created in 1945 and Yalta and Potsdam, somehow still continue. So that is the main with all problem that Prof. ROUBINI was discussing. There is some idea how to solve them in the short term better than the long term. But this particular crisis is a raised special one. Because even the best mind in the world do not know how to deal with the nuclear power. That's why lacking so rudely basic international order.

Prof. Dr. Emre ALKİN – Thank you very much Dr. ILLARIONOV. Once upon a time, when I was going abroad and when I gave conferences, I had two kind of speeches. The first one is making a rosy picture. Because we are speaking abroad. And the second one is a very grey scale presentation. Because we are just commenting each other and criticizing each other. But we have one special friend. He is saying good things about Turkey and as the second part of the "your quotes will hunt you", we have another gentleman. This gentleman firstly says that a Europe Finance Ministry is needed. He likes Turkey very much. And in February 2012, he said that "European countries have to put master criteria in their constitutions." This is a tremendous idea if you ask me. And the last but not the least, in March this year he said that "Price increases is about to end.". This is Prof. BALTAS. Is that true? Can you give us good news about it? And this constitution and the finance ministry issue is also important.

Prof. Nicholas BALTAS – Let me first say that a ministry finance is necessary. It's nothing you want. It's something which would happen since the construction of Maastricht. However I would say to which extent a ministry finance would be very important to Europe. And when you have to do with 1 percent of GDP of the European Union, this practically means nothing. All the countries which have some sort of a governance, it is required to have much more than 1 percent. It used to be 1,14 and now it goes decreasing less than 1 percent. So to my mind is that I don't expect that Europe practically with United Kingdom and other North European countries are ready to proceed. I don't think so. I don't know they are ready to proceed in the next steps. What they've done so far is to deal with low politics which have nothing to do with strong politics.

Now regarding about Europe, I am not very optimistic about Europe. I like Europe, I am very European. I support Europe for many years. However I would confess that I am not optimistic. It's not about judgement of myself. It's the policy which other countries follow and particularly the people who are donators to the European communities budget. Most of all northern countries are the countries which donate to the budget. The southern countries, they don't donate. And perhaps they claim that this European countries from the South are lazy and the only people who work are from the North. The problem is that we have some benefits due to our location. We have beautiful sun, we have islands. We have OK. That's in our nature to have a good time. I remember once I was in Belgium and I was talking with colleague of mine and he said that "Well you, the Greeks don't have money, but you have a good time.". What's wrong with that? I mean, we cannot schedule everything and since there are ladies in this panel I am not going to explain more explicitly what they mean about that. We don't envy if somebody else have a better life than us. I like the neighbours, friends from Turkey. We have very good relations. I would be really happy to have peaceful and beautiful relations. And let me tell you one thing from the people of Greece who I met, no one said to me one bad word about Turkey. No one. We feel that we have been living for many years. Perhaps some other things may have happened but still we are friends. And let me tell you one thing, perhaps we might have had in the past some problems. Same happens with France and Germany. Much bigger problems. Strasbourg. What is Strasbourg? Is it a France city or a Germany city? And they're now two pillars of Europe. Let's try to do the same. We would be very happy, absolutely happy. I said to my friend here, Emre. And now I am thinking if I will go back to my home or I will stay here.

Thank you.

Prof. Dr. Emre ALKİN – Thank you very much Prof. BALTAS. Of course you may stay.

Well, the third part of the "your quotes will hunt you" is somebody that we know already. If he stays more, he can be Turkish. Once he said that Turkey's glass stays half full but remains unsufficient. Last year in June. The second phase is "Turkey's continued to be source of inspiration for developing countries in the world and emerging markets.". That's the phrase I like actually. That's a beautiful phrase. But the third one is a bit blurry; "I wish the recent developments which confuse the public opinion and business world will end soon in February this year.". I think it's not confusing. It's the normal Turkish life. And it's mentioned by Mr. Martin RAISER. What do you have actually? Now I am not talking about the politics. I am not gonna push too much about it. But what can you tell that the first thing that we have to do as a Turkish in economics? What is the priority for the Turkish economy?

Mr. Martin RAISER, PhD – Well, I said that in my presentation. I think there is a need for a new growth model. To the question where you want to start, I was interested by what Andrei said Russia had not experienced growth in investment for 30 months. Actually Turkey has not experienced growth in investment for over 30 months. And I think that reflects its certain hesitations of businesses to invest. You can look at it from the opportunity side. And Prof. ROUBINI has given us reason to take into account. But the environment in Turkey is not an easy one. But you can also look at it from the cost competitiveness side. Turkey is very good at producing what it does. But the goods are not high value enough to support the costs of Turkey. So you can either try to reduce the costs or improve the value of your products. And I think to do the latter, you need to invest in inovation and skills. You also need to make the markets more flexible. Because they don't adjust rapidly enough. And that makes it more costly to operate in Turkey than is strictly necessary. But perhaps the most important cost of doing business in Turkey is the certainty which rules will not change. When you sign a contract, you have a court system where you can have it and forced. The way that monetary and macroeconomic policy is run will not change. You have certainty about other important economic institutions whether it is the independent energy regulator or telecommunications. And they're having some questions about whether that is truly the case or whether we can be 100 percent sure. And these questions have been imposing a cost on future potential investors that have led to hesitation. That's the contact of my last quote. Because I'm quite convinced that Turkey's glass is half full. It has been filling and I'm also quite convinced that if Turkey overcomes some of these issues, it were a main source of inspiration. I receive questions from colleagues. And sub-Saharan of Africa, even Latin America who want to know. How did Turkey become so successfull in the last two decades? What has happened? We come to Turkey and we are impressed. And I say "Yes, I absolutely agree.". But this is not something that will stay forever unless some of these issues are addressed. I hope very much that in the near future we can return to some of these structural issues.

Prof. Dr. Emre ALKİN – The last part of the quotes is of course from Mr. ROUBINI. He once said that Russia wants its empire back. Is that true? You just mentioned that. And secondly in 2013 I saw Mr. ROUBINI in Bloomberg. And he was saying that 2013 storm may surpass 2008 prices. I was terrified. Dr. ROUBINI. Because once you say, we all know that it's gonna be done. But economists can change their minds. In the late 2013, you said that the global growth will pick up so the danger is over. I think the lastly you said that we are in an asset bubble, and it won't pop until 2016. Can you explain this a bit more? The last but not the least, one of the important issues is the FED rate. And you said lately that you don't expect a rate rise. Do you have any say for this? You have the floor. Thank you.

Prof. Nouriel ROUBINI – Dr. ILLARIONOV certainly is a greater expert of Russia than I am. But the point I was trying to make is that historical Russia has always been having imperial ambitions. Even during the Soviet beginning 15 republics exist. It was only a period of time, of a few years under first GORBACHEV and then YELTSIN in who haven't Soviet Union collapsed. Then Russia became smaller. But with the rising power of Putin, some of interests of Russia via certain things on influence on greater Russia under the excuse of 25 million plus ethnic Russians being in the Baltics, being in the central Europe, being in the central Asia has reasserted itself. And in that sense I fear that this is not just about Ukraine. I was just last week in Astana, Kazakhstan where 25 percent of the country is ethnic Russians, 40 percent plus in the northwest. If the transition of power in Kazakhstan becomes real, where to be in the future? That might an excuse for pulling another Ukraine for example. So in that sense I think that we'll have to figure out what are their medium long term ambitions of Russia. Russia might not succeed because to be successful and have emperial how to say success, you need to have the financial and fiscal resources. And given Asian population of potential growth and fiscal constraints for, I don't think that Russia has the financial resources for that emperial overstretch that doesn't rule out of the ever politically. In 2013, I was worried about a perfect storm. A perfect storm where because of what happened to Greece and other parts of Euro zone. The Euro zone was under civil strain where the US was faulting whether you had bunch of geo-political risk, you had a temper tantrum affecting emerging markets and you had the slowdown of China together with other political risks. And that could have led to a perfect storm. I think some of the political reactions in Europe, in the US, in China avoided that perfect storm. And since then we've had an economic recovery. But a lot of the liquidity coming from unconventional monetary policies has not gone into the real economy. Credit going into the real economy is weak and has gone into asset reflations, stock prices, home prices, bonds, credit. Asset reflation can lead to asset inflation, then to asset fraughtiness, and eventually asset credit bubbles. I don't think we're in a bubble today. But as I pointed out; if central banks in the world keep their policy rates at zero, exit slowly or do more QE (quantitative easing) like ECB and BOJ, eventually that liquidity can lead to fraughtiness. That's gonna lead to booming bubble. And booming bubble is gonna eventually lead to a bust and a crush. It's not a 2015 story, maybe as early as second half of next year into the 2017. So we have to worry about avoiding another booming bubble followed by a bust and a crush. On the FED, I think that they have a chance of a equivalent of a temper tantrum. Because it's about interest rates spiking too high. I think the risk of a very sharp increase in long term interest rates of US is lower than it was in 2013. Because in 2013 you had a surprise. FED has told us we are gonna go slowing gradually in terms of when we exit and how we exit and even the terminal rate is gonna be low. And additionally on that one, the US economy rate now is weak. The dollar uppreciated too much and therefore FED is gonna be more cautious in terms of when we exit and how far it goes. And finally compared to 2 years ago when policy rates in Turkey, Brazil, Indonesia, South Africa were very low and when the shock of temper tantrum occurred, then it was a massive flow of capital out of these economies. Some of these economies are based on policy adjustment. Policy rates are much higher in some case of double digits. Even in Turkey they're higher than it used to be. Some fiscal adjustment has occurred. Some current adjustment has occurred. Most of them are a way that we have to do macro adjustment. When there is monetary tightening, fiscal tightening, even credit tightening, it is a way of avoiding. When FED is gonna exit, another tantrum or rate of change. Therefore while you have to be aware of the risk of a FED exit, probably you are better prepared. So it is not as much of a surprise. And therefore the impact might be more gradually and less severe than the tantrum that occurred in 2013.

Prof. Dr. Emre ALKİN – Thank you very much. Dr. ILLARIONOV. We'll have some additional comments I think.

Mr. Andrei ILLANIOROV, PhD. – Your idea about this part of the panel actually gave me an idea, just maybe to have one more entertaining part. I have one comment and one question. Prof. ROUBINI, it seems to me you mentioned couple of times such a phrase, Ukranian civil war. Is it correct? I think this particular term, we didn't find in international press is probably not a correct one. I studied very deeply what's going on in Donbas, in this military conflict. And I found actually (it's a fact everybody can look at this) that it's not a civil war, in traditional sense of this word. Because on both sides of this conflict in Donbas, it's not a war between Russians among

Ukranian citizens in fact. Because on both sides, there are Russians. The majority of those who are fighting in Ukrain are ethnic Russians and the rest are Russian speaking people. There's almost no Ukrainians over there. And it is very interesting. Because it looks like that it's into Russian ethnic war on Ukranian territory. And people who are fighting there, they are fighting not by ethnic reasons, not by language reasons. All researchs that have been conducted of a last year and half have demonstrated that language issue is negligible. Nobody payed attention. Because there is no problem of some kind of language problem to talk, ethnic problems in Ukraine. But the real problem about the model of political arrangements is the model of political institutions that might be installed in that part of Ukraine, and in the all Ukraine. So that's why this is the war between mostly by Russians fighting in the battle Ukraine about what kind of political institutions more authoritative, more aggressive, more violent would be established that has been brought by the Russian soldiers in the Ukrainian territory and some Russian locals that are leading in the east Ukraine, but do not consider themselves citizens of Ukraine. In Russians that are living in Ukraine and who would like to support more democratic, more liberal, more tolerant institutions, and they are fighting for Ukraine. They open the same way as Russians where ethnic Russians with speaking Russian language. But we are defending Ukraine who is our motherland and would like Ukraine to be more liberal, more democrat, more tolerant than it was before. So that's why look at Russian ethnic war on Ukrainian territory for different model of political arrangements for mostly for Russian people. If it is a civil war, it's a Russian civil war. To some extent, it is continuation of Russia civil war where it was one century ago about different political institutions. And many people who are fighting the war in Donbas openly saying that "we continue the civil war, we did not finish a century ago.". It's just a comment. And I would be very much also interested in Martin. He mentioned several times also that middle income trap issue. If I am not mistaken these varied terms have been proposed by Baria in his some kind of papers some time ago maybe some other people. We looked closely into this idea of middle income trap. But we would find some slowing rank in economic growth for some particular group of countries for those middle income. Frankly speaking, we did not find any statistical proof for that stuff. We did find that policy trap strictly have some country does produce that policy. It could lead to really slow growth of the crisis. We did find that institution trap, some kind of bad decision trap and so on. Frankly speaking, we did not find middle income trap. And I would very much like to hear your comments on this.

Mr. Martin RAISER, PhD – I think it is a good point. Actually, the term comes from two colleagues. One of them used to be at the World Bank. In 2007, they wrote a book called "An East Asian Ronesans" about East Asian's recovery after the 97 crisis, Indermit Gill and Homi Kharas. And in that book they pointed out that despite their very successful emergence from the crisis, countries such as Thailand and Malaysia had actually struggled afterwards completing the transition to high income. So, that is where the term comes from. Now it is true that there is very little statistical evidence to suggest that countries in the middle income group will inevitably slowdown in economic growth. So the literature cannot establish there is a systematic per-capital point which is slow down in economic growth. However, what we cannot see is that there are countries that go through systematic period of growth slowdown. You can define what a growth slowdown consists and you can look at some of conditions that precipitate such a growth slowdown. And that is how we constructed this little map. We look at what it makes more likely for a country to experience a growth slowdown. And the best way to do this is in my view is about how rich you are as a result of my work at IMF. Because obviously you are likely to experience slower and slower economic growth the closer you get to the leader, the economic leader in the world. Even controlling for that you get episodes of growth slowdown and those are systematic related to a number of factors that on inspection quite similar to the factors that drive the results in behind in Greek world. So, I don't care about whether we call it a middle income trap or something else. What I care about is that for emerging markets there are structural conditions that make it more or less likely that you can catch up with the advanced economies and you need to be pay attention to those. So that's how I summarize it.

Prof. Dr. Emre ALKİN – Thank you very much.

QUESTIONS & ANSWERS

Prof. Dr. Emre ALKİN – Now it's about time to take some questions from the audiences. I will give the microphone first to the gentleman and secondly yours.

İbrahim KURBAN, Audience – My question is for Mr. ROUBINI. For Greece case at the moment, what do you think about European view of focusing on stabilization rather than growth? If you follow one of them how do you think they can handle the case? If you were in that position to decide to handle the case what would you do?

Prof. Dr. Emre ALKİN – Mr. ROUBINI, I want to ask the same question. Europe is just like a company, it tries to take some thrifty measures when the company doesn't make a turnover. Actually in that case why thrifty measures should have been taken? What would you do if they were in these measures?

Prof. Dr. Nouriel ROUBINI – It is a very long complicated question. I am going to go to Athens actually next week on Wednesday-Thursday. I will have a chance to speak with senior policy makers. I would make the following observation. I am of the view that would be better for Greece and the Troika to reach a compromise when that restores over time economic growth and that sustainability in Greece even it requires some compromises, sacrifices, and reforms that Greece has to do. And that solution at this point is preferable to a Greek exit. Because of Greek exit with the curve economic and financial damage to Greece would be severe. You left the convert of Greek assets from Euro denominated into a depreciated that dilemma that would be something massive loss of national wealth.

It will collapse currency could run away inflation the banks could go bass and recapping with a mess. So we care about dilemma eventually restore for growth and jobs after amount of economic, fiscal and financial damage. For as to Euro zone some people in Europe delude themselves that contagion could be contained balloon thing. It is going to be contained, first of all in addition to economic, financial and contagion damage, a Greek exit in Euro zone as other problem. I think that is the beginning of the end of the Euro zone. Because if one country exit, this is not any longer a monetary union, people would ask what would be next. A Greek exit cause some political and geopolitical consequences. German could gonna be accused again being unquoted Nazi. Russia will become more aggressive not just in Ukraine but in Baltic and Balkans. Countries such as Moldova, Bulgaria, Siberia, Hungary, Macedonia or Greece could end up under the influence of Russian bare. The Middle East is burning. We had already terrorist attacks coming from in France and Denmark so on. The world is dangerous around Europe. Do you really want to begin to end Europe and Euro zone for something only %2 of Euro zone GDP? Where in the world in which there is some existing super powers like USA, rising powers China and India, weaker in power but more aggressive Russia. Without the geopolitical and geo-economic power of Europe with Eurozone, even a strong Germany is alone in Europe. Therefore Europe either survive in trying together or end things together Europe and the Euro zone. Therefore when we are deciding whether you like Greeks go or not, you cannot just a term of economic and financial beings in contagion but also both order political and geopolitical consequences of the beginning of the distraction of the Euro zone. Sophisticated people in Berlin realize just not economic but also political project and geopolitical project. But there is the compromise the safe face on both side where restores growth and sustainability. But Greece has to do a serious reforms to become more productive and has to sacrifice to enlighten the end of tunnel for Greece in terms of growth, jobs, income and greater that's sustainability.

Someone Among the Audience – I am not an economist. I am MD, medical doctor. I believe politics comes first, economy comes afterwards. Now Dr. ROUBINI explained widely which is the migration of Syrians to Turkey. My question is: There is still a question in my mind, at the corner of my mind. 2,5 million Syrians migrate to Turkey. This is a fact and this is kind of tsunami or earthquake. What is the emergency and continuously the advice of it, the solution of this problem?

Thank you.

Prof. Dr. Nouriel ROUBINI – There is a disaster occurring in Syria. This let to a massive refugee and humanitarian crisis. Turkey also counting on like Jordan or even Lebanon have accepted millions of these refugees. As a share of the population this is huge. We speak about 10-12 million people. US have since allowing few thousands and even EU has not been much more generous. There is now discussion within Europe of how many more refugees adjust from Syria but also from other parts of Middle East. We have to be helping these people. Because this is a humanitarian crisis and there are fiscal cost for Turkey, Jordan, and Lebanon. There should be also international resources such as IMF, World Bank or other. Because otherwise the fiscal burden is gonna be unsustainable. But, eventually you have to have a political solution in Syria. Because these people have to be able to go home and rebuild up their lives. It is not just in Syria, there is a war and called civil war in Syria, Iraq, Yemen, Libya. We cannot ignore it and we cannot say this is just a war between Sunni and Shea and they're gonna slaughter each other. Because you're gonna create an intergeneration of desperate, homeless, young people. Eventually that's gonna become radicalize, that gonna bring violence and terrorists to Turkey, Europe, USA and to the world. So we have to find solutions of stabilizing the overall Middle East. 30 year war between catholics and protestants in Europe let to economic and social disasters. So there has to be a solution. I cannot tell you what those solutions are for Syria and for other countries. What is gonna happen in Syria? Situation is that you have a butcher for Damascus Esed supported by Iran and Shea but unfortunately the other side right now is whether ISIS, el-Nusra and el-Qaide. But unfortunately Free Syrian Army of more moderate Islamic rebel is fusing out. So even if you want to support a part in Syria, who are your friends? Whether people you support in the Middle East used to be the case that your enemy's enemy is your friend. Unfortunately from Yemen to Syria to other parts of the Middle East, your enemy's enemy is still your enemy. Because both side look pretty ugly. There are millions of people dying, suffering, displaced, and in humanitarian disaster. It is gonna blow up for Turkey, Europe and the world. But I don't know if there is an easy solution for any of these problems.

Someone Among the Audience – Thank you panelists. I have two questions. One is for Mr. ROUBINI and the other is for Mr. RAISER. I would like to ask Mr. ROUBINI about the policy of FED about increasing interest rate. Is it speculative or manipulative for emerging economies? This question is for their behavior and policy thinking about the world economy. After 2007, you know, the balance sheet of FED and also Bank of England increased QE 4 times. It means a lot of money in the market. This money increased commodity prices. After years, the oil price increased 150 dollars per barrel, today it is around 50 dollars per barrel. Do you think it is economic or politic? After increases in the balance sheet, do you think it is easy to take this money back or this money will create balloon? As you said, inflation or stagflation for world economy? My question is for Mr. RAISER. You showed a graph about middle income trap by using countries from 1960s to today. This graph shows most of countries still in middle income trap except South Korea, some small countries like Singapore, some countries like Greece, Spain, Portugal that they entered EU and increased their income level but today they are paining their costs. Do you think this middle income trap is called problem of Turkey? Is it a problem of world economic systems or actors like a World Bank? Do you know that World Bank's role is increasing development capacity of countries? After 1945 to today, most of countries have been still in the middle income trap. It means World Bank's role is not successfully accommodated for other countries, emerging countries like Turkey. Thank you very much.

Prof. Dr. Emre ALKİN – You wanna start first Mr. RAISER. If you wanna start first and you just take a little moment. And then Mr. ROUBINI.

Mr. Martin RAISER, PhD – About your comment on middle income trap some countries have moved out of that category. If it is defined relative to USA, this chart shows you the relative income levels to USA and it shows you the number of countries that have managed to close the gap relative to USA indeed quite limited. Where I disagree with you is that Greece, Portugal and Spain are paying the price now for having decided to join EU. I think that is a wrong interpretation. The price can be paid in very different ways. Because those 3 countries are quite different. For misunderstanding that one's sure in doesn't mean you don't have to continue to compete. What happened to them was the enlargement of EU. There suddenly were very important competitors within EU and these competitors were willing to do structural reforms, have better business climate, more flexible labor markets. As a result, investment moved from south to east. And so in some ways you can say that the countries' success such as Greece experience in 1970s-80s were because they reformed in order to deal with the competition within EU. A decade and two later, when the competition from East Europe arrived, that competition left some of the south neighbour countries vulnerable. I think it is hard to compare the situation in Greece with Portugal or Spain. These are in some ways different but one characteristic did we see in the south relative to the east is in increasing unit labor cost. In Eastern Europe, you have more equity rather than debt. You have substantial increase in unit labor cost because you have very substantial increases in productivity. As a result European integration in Poland has been the greater success story of last 500 years. It was the same in some ways in Greece in 1970s. I don't know enough about Greece in 1970s and 1980s. But I would say European integration is ultimately good thing but it doesn't automatically make you a high income country and it doesn't keep you a high income country automatically. About the role of the World Bank, I am going to be very humble. I wish we could enlarge enough to really take on mandate to lift countries around the world to high income status. But I think when you look at the world, there is light in shadows there. There are some very successful experiences including of partnership with Turkey that have made going to back in 1951 but I think we should also admit that there are some failures. There are some countries where we have given advice that turn out to be wrong. There are some projects that we gave finance that have not delivered what we have expected. But there aremany countries and projects that succeeded.

Prof. Dr. Nouriel ROUBINI – It was a pretty long complex question about emerging markets. The period of a deck between 2003-2013, where for most of emerging market things were going to quite well. Strong economic growth, arise of their asset prices of their equity market, high returns. But since 2013, things had stopped. For now what has happened? First of all, the strong decade of growth between 2003-2013 was impart even by some economic reforms and some macro policies. After the financial crisis in Mexico 1994 and Turkey-Argentina 2001, the number of emerging markets increased. But there was also element of luck global financial condition was ideal. You had a China growing 10-11%, you had a commodity super cycle that was positive for most emerging markets in commodity exporting. And after the global financial crisis, you had a zero policy (USA, EU, Japan) on quantity wising and wall of liquidity that was chasing asset in return emerging market. So, these tree global tale winds were helpful. After 2013, those global tale winds became headwinds. China has not gone growing 10% or larger, best have in probably with next few years 6% or less. That's negative for emerging markets. The commodity super cycle for many reasons reservoirs both in energy and industry metal. And that's gonna be negative for most emerging markets. Those emerging markets like Turkey that are net commodity in all exporters will benefit but average emerging markets are not gonna benefit. Overll slowly FED has stopped printing money, taper QE and over slowly little dizzier. They are gonna start hiking interest rates and therefore cheap money will be going from emerging markets. They already started to flow out during the taper tantrum of 2013. That's gonna continue gradually to flow out. So tale winds became headwinds in the boom years when the money flow out of emerging markets. So cheap monetary policy, fiscal policy and credit policy became lose in some emerging markets not all of them. And that let to one of rise of current account and fiscal deficit like in fragile 5 countries. It let to rise of inflation in a number of emerging markets and it let to slowdown economic growth. Therefore right now, to stabilize the market economy many people have to do tough choices in tight monetary, fiscal, and credit policy including Brazil and Turkey, other emerging markets. Finally, it was a lost decade for structural reform. Many emerging markets did not do the second generation structural reform that World Bank what was recommending after being done the first regeneration of reform of trade realization. Many emerging markets moved away from market, re-entered reforms towards policy that was variant of state capitalism. Too much intervention of the state in the economy, too much allocation of credit and savings to investment then by state on banks, too much resource nationalism, too much talking about improper substitution sterilization. It is happening in Russia, China, even places like Brazil and South Africa, more populist country like Argentina. Therefore, however it is difficult to do the political, economical reform it would be one fault of the next decade. Which emerging markets will have the political institution of doing those structural reforms? In Mexico yes, under Modi in India yes, maybe in Indonesia under Jacobi yes. It doesn't look like many structural reforms will occur in Brazil under Delmarus for now. Venezuela and Argentina has gonna depend on also political actions in a next few years. I think that this same dilemma is gonna be one phase by Turkey. Will the political institutions and the leaders want to continue encounter structural reforms? Will open economy make more competitive, more productive, more entrepreneurial, more integrated with Europe and global economy? If the answer is yes, you do very well; if the answer is no, there would be economic difficulties.

Someone Among the Audience – I have 2 questions. First one is for Mr. BALTAS and the second one is for Mr. ROUBINI and Mr. ILLARIONOV. First question is as we know crisis in Euro zone is not just debt crisis it is also low growth and unproductivity. But the countries like Portugal, Greece, Spain, and Italy are not the only ones to blame for. Second reason for this crisis is the miss-structure of Euro zone which is supposed to be an economic and monetary union but in fact it is just a monetary union. And they forget economic side of the union. What I mean is they pass the control of printing money in two years to ECB. But they still have freelance on their monetary policy, social security policy etc. Do you believe that lending countries like Greece out of the Euro zone, but keeping in EU will be much more effective to the solution for the Euro crisis? Second question is as we know there has been an armless war between USA and Russia in terms of politics and economy. We cannot seperate policy, politics and climate as well. I wanna point out the price of oil which is coincidence that it clenches down and just after the Ukraine turmoil. What do you think until what time these low prices will continue in oil?

Thank you very much.

Prof. Dr. Emre ALKİN – There are two extensive questions. We have very beautiful questions. Thank you very much. The first question is for Mr. Baltas. I am on much side on Mr. ROUBINI with Euro seems to me a political leverage. For longest period of Europe there was no big war. And you know that these two wars started in Europe. So I am afraid that if we try to kick out Greece, there will be a political problem much more than the economic one. Of course there will be some economic impacts. And how can we define Euro in this context? Is it a political leverage or economic one? How can you answer this question?

Prof. Nicholas BALTAS – O.K., first of all, I would like to say we don't have monetary and economic union. We don't have economic union because we don't have political union. And as I said before this will not happen in the near future. Regarding monetary union, we just keep, ... Well the European union formed some rules, I would say Maastricht rules, without any real argumentation. Why we should have 3% of expenses or 60% of debt. It was something nearly which decided according to Bundesbank that was the reason.

The second thing is that, the formation of the European the Eurozone was not matter of a real reconciliation it was matter of a decision which was made by some governments. Particularly I mean the German government.

The third thing I would like to say that nobody should have said before that *"Listen, you want to be member of the Eurozone, what* *you have done in order to cover the big differences which are in the Eurozone countries?"* For instance the first thing, which somebody a good economist should think that we should have similar sort of economic structure. That means we have similar kind of inflation, similar kind of productivity, similar kind of unemployment. Most of the countries didn't have similar ...

The forth thing, regarding the extension, the enlargement of the European union, I was personally against the enlargement but the Germans were so much in favor of enlargement so they overlooked all the problems which there were before. Why it is so? Because they thought there was a part of the greatest German Empire. Austro-Hungarian Empire. Why we should take into consideration. O.K., I don't say that this people suffered with communist regimes, okay, but let make a preparation and not only for these countries, also for Greece. Because otherwise I would say it is good for my country, no I don't say that, I don't. We should have taken some measures. And the countries, particularly Germans, wanted it to be. When we did the latin enlargement, when I say latin enlargement I mean Spain, Portugal, Greece and who paid cost of enlargement? Mainly Germans. They wanted this, the cost of enlargement, regarding the middle and eastern European countries to take the France. The France is not so strong enough as the Germans in order to take enlargement and they took any kind of responsibility.

I don't know really if I was completely answered to your question but I can tell you much more if you insist.

Prof. Dr. Emre ALKİN – I see we have a lot of opinion in head. The second question is important one. That is about the situation with the oil production in the world after the Russian invasion to Ukraine or just like Dr. ILLANIOROV said that Russian civil war in Ukraine. We saw that USA is producing and exporting more oil than Saudi Arabia for 4 months consecutively. But USA has never removed for many years and doesn't open strategic reservoirs. I don't know, for 7 years so on. Dr. ROUBINI and Dr. ILLANIOROV, is it an economic or a political move or both? Thank you very much.

Mr Andrei ILLANIOROV, PhD. – First of all, to predict fluctuations of dynamic world prices is probable the move damaging for the reputation of economist. We have seen in the past, wild forecasts by respectable people and organization can have collapsed dramatically or just never fulfilled. I would just remind you that in December 1998 the most respectable economists' magazine in the world has not only published but put in the corner very famous forecast that oil was 5 dollars per barrel. It never happened neither next months nor next 15 years. One of the most serious analysts from oil market was Daniel Yergin who wrote the book "The Prize: The Epic Quest for Oil, Money, and Power". It is just really a fascinated, very interesting book. He found the oil price forecasting company Cambridge Energy Research Associates (CERA). It is hard to find somebody who would be better about the fluctuation of oil prices. So his company in 2005 forecasted oil price 15 dollars per barrel. If he knew that time to 2-3 years after that oil prices would be almost 150 dollars per barrel, he would wait little bit, just give the 3 times or more. But nevertheless each shows even people who very much involved in the market who spent and rewarded all their lives in studying oil could not predict. Why? It is so difficult or almost impossible to forecast fluctuations of oil prices. The problem is that oil market is not perfect, it is not free markets. It is a very substantial market but it is a patient of the nonmarket forces. That's unpredictable. Because OPEC is too commending on oil production. Decision of how much oil can be put in the market can be taken not due to the market forces or supply and demand. As we understand it, sometimes we may also make a mistake in predicting these factors but also because of political reasons and because of political interpretation of some particular factors. That's why each time within OPEC, minister of OPEC leaders are gathering to make a decision and this is almost impossible to predict. So that's why it is not predicting according to factors of market economy but predicting political moves and political decisions by some particular very important appliers in this market. And also we know now about substantial forces of entering this market with USA with Canada with some other countries. I think we would be much better suited to make much more reasonable forecasts either when those forces would occupy the absolute some kind of the greatest share in the oil market or when OPEC would decide to abandon this role to establish effective monopoly control over production and export. Then I think we would be able to make much more accurate forecasts. But until then we would rely on marketing forecasts for commodity markets.

Prof. Dr. Nouriel ROUBINI – I would have too much to agree with Andrei. You know it's very hard to predict oil prices in part because in short run both supply and demand are highly elastic and there is foreign exchange in supply and demand as a disproportion effect on the price level. Secondly because oil like other few commodities is also traded financially in the future market. The dollar price of oil depends on part of also on the value of the dollar. Historically for number of reasons when dollar is strong, dollar price of many commodities is lower. And when dollar is weaker, dollar prices of commodity is higher. Predicting oil prices that make a forecast about the value of the exchange of dollars depend on growth inflation and relative monetary policy USA compared to Europe and Japan, so on. So it is a complicated business. I will make only an additional observation on this topic. Some people believe that why last November Saudi Arabia decided to keep production high and allow the plunge oil prices to continue was political and geopolitical. It is also enemies with Russia supporting Esed. It is also trying to hurt Iran. This is a geopolitical arrival of Saudi Arabia. My interpretation is somehow different. Saudi were worried about significant rise of shale gas and oil production and trying to impose to longer at profitability in the market share of Saudi Arabia. Therefore being the low cost of producer, they had to keep supply high. So temporary price fall would force high marginal cost producers whether they're producers outside of OPEC or shale gas oil producer in USA. First, because of low of oil prices, everybody run. But Saudi Arabia decided to significantly reduce their capital spending in all sector by % 20-30. Less capacity investment in all sector today means that production increases in the future will gonna be lower. Instead Saudi maintained their own capacity. Therefore you have lost or a cost in a short run. But you insure one that you get rid of the high marginal cost producer overtime. Second, you are gonna also underinvest around the world in to new capacity. Therefore the market share of Saudi Arabia is gonna remain over time higher as prices with gradual increases. But I think their motivations were initially mostly economic. One of the side consequences of having low oil prices is that Iran had hurt and Russia had hurt. Geopolitical benefit of Saudi Arabia was not mostly political decision. It was initially mostly an economic and a financial one.

Prof. Dr. Emre ALKİN – Thank you very much. We have one question on back and then after we have the chairman, Mr. Ahmet EREN. Thank you.

Someone Among the Audience – My question is for Mr. ROUBINI. Actually, Turkey's main topic for right now is the election. Next week, there will be an election. What are your assumptions after the election? What are your assumptions about the markets in the short term?

Prof. Dr. Emre ALKİN – I don't care about the arithmetic in the parliament actually. I care about what is the new model of growth of Turkish economy. Like Andrei said that we will have a presidential system in Turkey, it doesn't change anything at all. Because we have an infrastructural problem in the economy and we have a growth slowdown. So we need a new growth model as Martin said. What do you think? In Turkey, we have an expression like that "After the election everything will be good in Turkey.". Re-election is a threshold for our economy.

Prof. Dr. Nouriel ROUBINI – First of all, you know, Turkey is democracy. It has on election. You are Turkish voters. You are democratic re-deciders. It is not up to me to say who should win or what should be your on politic system even if choices matter. I would say that the result of re-election will realize on experiences of Turkey. In other emerging markets, you have to have economic framework that gives opportunity, growth, welfare and benefit your own people, own society that means strong economic growth, low inflation, job creation and economic dynamics in open world economy and society becomes both growing and also fair inclusive in many ways. That is the story of success. It is the story of avoiding a middle income trap. So it is on country based that has been shown. The middle income trap has been starting in Turkey. It has achieved economic success, but now has to think about next stage. I would like to say keys of economic success on the macro side are some fiscal policy, maintaining low budget deficit, low stock of public debt and making sure that there is enough private and public savings to finance productive investment. Because if we have more savings, we get more investment and if we lose savings, we get less investment, high current account deficit and eventually billed up net foreign liabilities subject to financial pressure of one sort of another. So some fiscal policy relates to some external balance of the country. You have gone through history of decade, you had gotten in high inflation not just double digit sometimes even hundred percent. Because of that, the other Turks still put some money into dollar deposit banking system, and is still may be overinvesting in real estate as hedging high inflation. Having low inflation is a condition for economic stability as well. A condition for having low inflation is not to have monetary deficit, having independent central bank. So monetary policy will not be based on politics, but both straight and maintaining stabile inflation to close to the target. Finally as pointed out, on the macro side of aggregate demand, monetary and fiscal policy for every country is a key to increase their productive potential of the country. On the supply side, this kind of economic reform increases labor force participation rate of the people, women. Everybody of society who is given educational skills and training can become productive and be able to compete in a global economy with arising power of sort of another. Financing foreign direct investment is gonna be beneficial for countries, for open economies. Because your market is not gonna be only the size of the country but the size of the global economy. Of course, this implies being more open and there are external shocks that you buffered. But a strong economy and some macro institutional frameworks are able to benefit from integration. Because the more resilient in terms of policy, the less subject to contagion and economic damage. I think there is a reasonable consensus. This even came out of my conversation with a policy maker. A country should make a serious, long list of structural reform that is gonna increase potential growth, productivity, human capital, competivenes, innovation. I don't think there is a disagreement or difficulty like the other every country of the world. There is a political economy because reforms have some cost in short run and benefit of income only in medium term. So you have to have leaders who are willing to make the decisions to imply some cost, over time improve the welfare and the economic opportunity for young and others in your country for the long term. And success depends on having the right economic policies.

Prof. Dr. Emre ALKİN – Thank you very much. Mr.Chairman, you have a question I think.

Ahmet EREN – Thanks to speakers. The first time I have heard from Mr.ILLANIOROV the expression of that policy trap next to middle income trap and I have also visualized the presentation of Mr. Baltas under the screen about the tremendous increase in the Greece's foreign debt after joining European Union. It has happened because there was abundance of funds that Greece could borrow. It did happen to Turkey as well. In recent 10 years Turkish foreign debt increased from 132 billion dollar to over 400 billion dollar. Because there were abundance of cheap money in the financial market. Dr. RAISER do you foresee any trap, any danger similar to Greece for Turkey in the middle or long term?

Thank you.

Mr. Martin RAISER, PhD – I think the inflow of capital into Greece was mostly of debt creating nature. Let's look at Turkey of the last decade on every side of both debt and equity and to a last extend as share of GDP. And let'slook at what happened to Greece in the 10 years, performing the economic difficulties. Greece, as a member of the Euro zone is not able to use the exchange rate as a buffer mechanism. But Turkey has an advantage like that. I still think you can manage being in common currency arrangement like Euro. But you need to create the structural conditions that allow you to be effective in a common currency euro zone. That means you need to have a more flexible economic structure. When you look at Greece before the financial crises, it was 135th in World Bank's doing business. It's labor market was very rigid. It had a very rigid product market regulation, measured by OECD. So it had a number of structural features that made it quite difficult to be current currency zone with countries that didn't have those features on not more competitive and not more flexible. Now, so Turkey actually has done a lot of reforms that Greece has now doing back over ten years ago under Derviş and Babacan program which World Bank, IMF, EU support very strongly. So it is starting from a condition where actually it has of fundamentally few distortions, more competitive business environment but that is not enough. I think where the similarities as well minorities exist. It's you who is fairly persistent to external deficit which means you have to borrow money from abroad to cover the difference between what you save and what you invest. In that sence, I think Turkey does not address that problem over the medium term. Will accumulate more and more foreign debt that would make it vulnerable but there are many differences between two countries as I pointed out.

Prof. Nicholas BALTAS – Let me give you some sort of statistics regarding Greece. First thing I would like to say is that, since Greece became a member of the European Union, that means 1981, and has enjoyed the generous, I emphasize the word generous, funding of the European Union, they entered to Greece from 1981 until 2009, 280 billion Euros, a tremendous amount of money and out of this the agriculture sector took 188 billion Euros, tremendous amount of money. Unfortunately, because we are honest people and we'll have to confess whatever we believe is that, it may misused by different politicians, politicians says as I said before they share money to the voters to have a peaceful life. That's it. This is the answer.

The second thing which I would like to say, before it was too emphasized but structural reforms of course we should have done quiet lot of structural reforms not because the others said so, not because European Union say. Because we Greeks should know that structural reforms are very much necessary for our own country. The same of course applies to any country. Not if it is necessary to have structural reforms we have to do the structural reforms.

The third thing which I would like to mention is, the labor cost regarding the total cost? Because everybody thinks that if we reduce the labor cost that means we'll have a pleasant life everything will go well. But we reduce the labor cost unfortunately all the last six seven years there was no increase in growth. No increase. And with money supply because we have forgotten quite a lot the Keynesian Theory that without demand you never do anything else. What was happened over the last years and so? What happened is that we followed austerity measures and again austerity measures. And then what? The austerity measures. The major mistake was to take from one hand austerity measures on the other hand we don't try to improve the competitiveness to increase investment. We did not increase investment, not only private investment also public investment. What was the public investment over the last few years and so? So O.K., if I have to blame one, is also myself. Because I have to confess most of the Greek Ministers of Finance were colleagues of mine and some of them I voted for them to become Professors. So you can blame me also. You can blame me but this does not mean I should not say what the reality is. The reality is this one.

Thank you.

Mr. Andrei ILLANIOROV, PhD. – Mr. EREN has mentioned this term bad policy trap. Thank you very much for mentioning this. I think this particular issue about the Greek crises shows that it can be explained in terms of bad policy trap. Exactly this is the same time Greek crises studied with another crises in the same economic union, monetary union as Greece, Latvia, and Estonia and initial hit from crises what comparable or even hasher in Baltic countries. Contraction of GDP in those countries is what 15-17 % just in one year, but response from the authorities and general public in those two countries was quite different from Greek history. Estonian government and especially Latvian government have taken very drastic decisions which my colleagues and I have been talking with many charts about structural reforms. They substantially cut government expenditures and taxes. It is not possible to do within monetary union, external devaluation. Because they tied their currency with Euro. But they have done internal devaluation. This internal devaluation is unbelievable by size and seriousness. I would just mention couple of numbers. For instance, the reduction of wages. They have been a great empire, the society was enormous. For such people like president, prime minister 30 % in nominal terms. This means even more in real term because of the inflation. Even for pension, it was about 10-15 % reduction of pension and benefit so on. The result of this very drastic, very painful reform was pretty impressive. Both countries left just in one year economic crisis and economic contraction. While they reached this statue in one year, Greeks spent this period of years in recession. Nicholas told us that having GDP per capita higher than pre-crisis level and different policy options taken by national sourcing supported by society, could lead to different results even if initial circumstances are pretty similar. One more point is that Russians wants their empire back. I think it is very important for Turkey. Probably it is not Russia, but some people in Russian leadership. It may be only one person. But it is a very serious distinction. I have to tell you that this imperial ambition especially somehow translated into war with many people being killed and wounded deeply. Russian-Ukranian war, Russia aggression against Ukraine is very unpopular in Russia. It is not supported by people. Not only me but many people think it is a very deep mistake. And Russia, at least some part of Russian leadership happened to be in another trap, an imperial trap. And in this particular mind set, in the imperial mind set trap, I think Russian society and Russian leadership can learn a lot from Turkey, from Turkish historical experiences. Turkey also was empire, not Turkey but Ottoman Empire. It was a very painful process within Turkish society. Turkish leadership to abandon imperial mind set started to build Turkish nation. And this success in building Turkish nations was by Kemal Atatürk and by many other people. But initially the necessary tool is to abandon this imperial mind set. In this particular regard, Russia is lacking behind Turkey. But probably one century. We need our own Kemal Atatürk. Somebody, maybe not one particular person who would be able to mentally, personally abandon this imperialism and trying to produce imperial neighbor country. That would be really a way to success in Russia and all this region.

Prof. Emre ALKİN – Mr. Chairman, Floor is yours.

Mr. Ahmet EREN – Thanks to all speakers who share their specious opinions with us, also thaks to all audience to make our Panel rich with their contributions and questions.

Before Plate Ceramony, I would like to repeat the announcement. We have a reception this evening at 20:00 hours, in this hall. You all are invited. We will be very glade to see you here this evening.

Thank you again.

C.V.'S OF MODERATOR AND SPEAKERS

MODERATOR
Prof. Emre ALKİN, PhD,
Economist, Vice Rector of the Kemerburgaz University

Emre Alkin (b. 1969, İstanbul) Turkish academician, economist.

After Saint Michel French School he graduated from Faculty of Economics, Istanbul University in 1991. Besides delivering comments on economic news at Fox (Turkey), Bloomberg HT and CNN Turk he serves as a vice rector of Kemerburgaz University and continues to lecture on economics at the same institution. Additionally, he was selected as Secretary General of Turkish Soccer Federation as of April 9th 2012.

Prof. Nouriel ROUBINI, PhD,
Professor of Economics at New York University's Stern School of Business; the Senior Economist for International Affairs on the White House Council of Economic Advisors

Nouriel Roubini is the cofounder and chairman of Roubini Global Economics, an independent, global macroeconomic research firm. The firm's website, Roubini.com, has been named one of the best economics web resources by BusinessWeek, Forbes, the Wall Street Journal and the Economist. He is also a professor of economics at New York University's Stern School of Business. Dr. Roubini has extensive policy experience as well as broad academic credentials.

From 1998 to 2000, he served as the senior economist for international affairs on the White House Council of Economic Advisors and then the senior advisor to the undersecretary for international affairs at the U.S. Treasury Department, helping to resolve the Asian and global financial crises, among other issues. The International Monetary Fund, the World Bank and numerous other prominent public and private institutions have drawn upon his consulting expertise. He has published over 70 theoretical, empirical and policy papers on international macroeconomic issues and coauthored the books "Political Cycles: Theory and Evidence" (MIT Press, 1997) and "Bailouts or Bail-ins? Responding to Financial Crises in Emerging Markets" (Institute for International Economics, 2004) and "Crisis Economics: A Crash Course in the Future of Finance" (Penguin Press, 2010).

Dr. Roubini's views on global economic issues are widely cited by the media, and he is a frequent commentator on various business news programs. He has been the subject of extended profiles in the New York Times Magazine and other leading current-affairs publications. The Financial Times has also provided extensive coverage of Dr. Roubini's perspectives. Dr. Roubini received an undergraduate degree at Bocconi University in Milan, Italy, and a doctorate in economics at Harvard University. Prior to joining Stern, he was on the faculty of Yale University's department of economics.

Prof. Nicholas BALTAS, PhD,
Professor of Economics of the Athens University of Economics and Business

Professor Nicholas Baltas was born in Kastania of Evritania. He is Professor of Economics of the Athens University of Economics and Business. He is graduate from the Athens School of Economics and Business Science and holds postgraduate degrees (M.Soc.Sc. and Ph.D) in Economics from the University of Birmingham (UK).

He is Vice President of the Board of Directors of the Center of Greek Public Enterprises and Organisations (2005-). He was Chairman of the Board of Directors of the Hellenic Railways (2004-2007), Head of the Department of Economics of the Athens University of Economics and Business (1999 - 2003) and President of the Hellenic University Association for European Studies (1999-2000 και 2002 - 2003). He was Senior Economist of the Research and Planning Division of the Agricultural Bank of Greece (1976-1986) and Lecturer in Econometrics of the Aristotelian University of Thessaloniki.

He holds the Jean Monnet Chair: EU - Institutions and Economic Policy and has obtained British Council and Fulbright scholarships.

Each year he is invited by the Swedish Academy of Science to propose candidates for the Nobel Prize in Economic Science. He was Member of the Scientific Board of the National Centre of Social Research as well as Visiting Fellow of Oxford University, Queen Elisabeth House and Visiting Professor of the University of Montpellier I. He is Member of several scientific boards.

He has participated as speaker, chairman or reviewer in over 100 scientific conferences. He was Member of the Independent Committee of Experts for the 2002 Monitoring Report in Non-Nuclear Energy (European Commission, DG RTD and DG TREN) and Member of the Independent Scientific Committee of Experts for the Working Report on "Viable Agriculture in a Developed Countryside: Ten Years Strategy for the Agricultural Development of Greece" Ministry of Agriculture of Greece, 2002. He has also served as an expert of the Economic and Social Committee of Greece (Opinion on the issue "Enlargement and Reform of the CAP", 2003, Opinion on "Agriculture and Food Safety in the Framework of Euro Mediterranean Cooperation", 2004).

He has published several books, articles and research monographs in Microeconomic Theory, European Economic Integration, Agricultural Economics and Finance.

He is currently Chairman of the Board of Directors of the Management Organisation Unit of the Community Support Framework (since October 2007).

Mr. Andrei ILLARIONOV, PhD,

Senior Fellow at the Cato Institute's Center for Global Liberty and Prosperity. Former Chief Economic Adviser of Russian President Vladimir Putin

Adrei Illarionov is a senior fellow at the Cato Institute's Center for Global Liberty and Prosperity. From 2000 to December 2005, he was the chief economic adviser of Russian President Vladimir Putin. Illarionov also served as the president's personal representative in the G-8. He is one of Russia's most forceful and articulate advocates of an open society and democratic capitalism, and has been a long-time friend of the Cato Institute.

From 1993 to 1994, Illarionov served as chief economic adviser to the prime minister of the Russian Federation, Viktor Chernomyrdin. He resigned in February 1994 to protest changes in the government's economic policy. In July 1994, Illarionov founded the Institute of Economic Analysis and became its director. Illarionov has coauthored several economic programs for Russian governments and has written three books and more than 300 articles on Russian economic and social policies.

Illarionov received his PhD from St. Petersburg University in 1987.

Mr. Martin RAISER, PhD
World Bank Country Director for Turkey, Europe and Central Asia

Martin Raiser is the Country Director for Brazil of the World Bank *(Former World Bank Country Director for Turkey, Europe and Central Asia.)*

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Mr. Raiser, a German national, is married and has four children. He speaks German, English and French fluently; has good knowledge of Russian; and elementary knowledge of Spanish and Portuguese. Mr. Raiser has published numerous articles in refereed economic journals and authored several books.

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