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TEPAV and KIEP

“Sharing Experiences in G20 Cooperation between Korea and Turkey”

Keynote Speech

by

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The Honorable Deputy Minister for International Affairs, Ministry of Strategy and Finance Republic of Korea, H. E. Heenam Choi,
The Honorable President of KIEP, H. E. Il Hong Lee,
The Honorable Member of the National Assembly of Republic of Korea, H. E. Seoghoon Kang,
Director, TEPAV Center of for Multilateral Trade Studies,
Excellencies, other members of the international community, media representatives,
Distinguished colleagues and friends,

It is a pleasure to be here with you today on behalf of both the UN and UNDP. Today, I will talk about the UN agenda and its possible links with the G20 agenda during the Turkish presidency. I will also provide some details on UNDP's just initiated National Human Development Report on Turkey. In this study, the Turkish economy will be examined from the perspective of inclusive growth, especially in the last decade. Inclusiveness is especially crucial for the sustainability of economic growth since it empowers and sustains competitive structures of the real economy and contributes to more balanced income distribution. It is also one of the three I's in the G20 agenda of the Turkish Presidency.

Distinguished participants,

In 2015, the year of Turkey's G20 presidency, the UN will organize three very important events of relevance to the Presidency. In mid-June, the third international conference on Financing for Development will be held in Addis Ababa, Ethiopia. This will bring together leaders, including Heads of State and Government, Finance Ministers, Foreign Affairs and Development Cooperation Ministers, other relevant institutional stakeholders, NGOs and business sector entities. The conference will contribute to intergovernmentally approved outcomes to support the implementation of the Post-2015 development agenda.

The 2000 Millennium Declaration led to the Millennium Development Goals, established to make a significant difference in people's lives and most countries have seen progress on them over the last 15 years. With the MDG timeline coming to an end in 2015, world leaders have called for a long-term agenda for at least the next

fifteen years till 2030, to improve people's lives and make the planet more livable for future generations. In this respect, the Post-2015 Sustainable Development Agenda which we hope will be agreed at the Special Summit on Sustainable Development in New York in September 2015 which will be hosted by the UN Secretary General, will take on great significance till at least 2030.

The third important event this year is the 21st session of the Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) which will take place in December 2015, in Paris. This conference will aim at achieving a legally binding and universal agreement on climate change, binding all the nations of the world. It should be noted that protecting the planet for future generations implies sustainability of the environment, and addressing climate change is obviously a vital factor in this framework.

Distinguished guests,

These three high level global UN events in 2015 are also closely related to the G20's agenda during the Turkish presidency. In the Financing for Development conference, innovative approaches will be discussed in terms of domestic resource mobilization, overseas development assistance and the role of the private sector in development financing, all areas which are closely linked to work in the finance track of the G20. In the case of the post-2015 development agenda and SDGs which represent the multi-dimensional nature of sustainable development (i.e. social, economic and environmental), some issues relate to the agenda of the G20s Development Working Group. The UN and UNDP in particular is pleased that the Development Working Group was created during the Republic of Korea's G20 Presidency in 2010, while Turkey has also prioritized development during its Presidency, putting it center stage in 2015 for good reasons.

Ladies and Gentlemen,

The need for greater global economic governance has become more and more important, especially after the global economic crisis of 2008-2009. Global economic governance has multi-faceted characteristics and cuts across a variety of topics such

as economic development, financial regulation, international trade, international taxation, climate finance and infrastructure investments. Most importantly, long term success in global economic governance can only be achieved through harmonized and coordinated economic and social policies amongst the world's major economies, those that are represented in the G20. In this respect, if it wishes, the G20 can be a platform to ensure global coordination and harmonization among member countries. This prototype model can, if successful, then be expanded to non-G20 countries as well, using other groupings such as the 3G initiated and led by Singapore which is a G20 observer.

The role of multilateral coordination and coordination has been rising in recent years. In this regard, in addition to the G20 and BRICS, middle powers represented in MIKTA (including Mexico, Indonesia, Republic of Korea, Turkey and Australia) will also be increasingly important. The first MIKTA Senior Officials' Meeting took place in Seoul on 27 February, 2015 after four successful ministerial meetings since September 2013.

MIKTA countries can prioritize R&D cooperation, business-to-business cooperation and institutional linkages to increase institutional capacity. It should be underlined that MIKTA countries include both developing as well as more advanced economies. Hence, the success of such cooperation can also be a good example for a prototype model for global governance.

Distinguished guests,

As I have already implied in my speech, the G20's role increased after the global economic crisis in 2008. Both finance related and structural issues have been discussed since then, some necessary policies were agreed and coordination amongst the major economies has improved. However, recent developments in the world economy signal that all is not well both in many developed and emerging economies and in many developing countries. I think that the magnitude of this crisis and its longevity will be closely related with productivity issues especially the capacities of countries to provide real value added in both the domestic and export sectors. Industrial policies will play a key role in this process.

At this stage, allow me to make 4 points about the Republic of Korea's early industrial policies which contributed greatly to its economic success in the 1980s and 1990s because there are important lessons for BRICS and MIKTA members, in particular.

-First, the Korean economy transformed itself from one based on static comparative advantage in the 1960s to one which was based on dynamic competitive advantage by the early 1980s, investing and specializing in high value added components of the value chain. In other words, the backward and forward linkages of industries were strengthened by investing in learning and innovation. The case of the steel and shipbuilding industry are examples but there are many others.

-Second, the late MIT professor Alice Amsden's famous phrase on the Republic of Korea "getting market prices wrong" emphasizes that industrialization played a crucial role in the success of the Korean economy's convergence to the industrialized economies because it did not follow "free market" prices but concentrated on providing subsidized credit to strategic sectors, it picked "winners", focused on improving learning capacities and implemented public policies that strongly support innovation and exports. Thus, by the 1980s the Korean economy had transformed itself into a productivity based economy rather than remaining a low value added primary commodity based one as it was in 1960s.

-Third, there was effective leadership of government which is also another important factor, together with relative coherence and coordination across government (a "whole of government" approach) and between government and business, all of which played a crucial role in the economic success story of the Republic of Korea. It has to be stated that not only quantitative inputs, but also qualitative factors are also very critical for the sustainability of economic growth. In the case of the Korean economy therefore, coordination between key decision makers was a key qualitative factor which improved the quality of economic management and contributed to the design and implementation of the most effective economic policies for transforming the economy.

-Fourth, last but not least, R&D investment in all levels of education increased the learning capacity of the Korean population. It is well known that R&D activities play a very strategic role in the performance of technological progress since they increase the capability and capacity of societies to innovate, which then directly empowers the competitiveness of the real sectors in global markets. The Republic of Korea was an overwhelming success in its export strategy in the 1980s, especially in medium to high and high technology sectors.

I have to acknowledge that there were problems with the chaebols and in some other areas, some of which came to the fore during the Asian financial crisis of 1997 when I worked on SE and NE Asia economic and financial issues, but overall, the Republic of Korea is one of the very few success stories of a country which avoided the middle income trap and transformed itself to developed country status in one generation. Therefore, lessons from its experience should be viewed as an important guide for the Turkish and other economies struggling with the challenges of avoiding the middle income trap.

Let me now say a few words on the Turkish economy in the context of UNDP's forthcoming NHDR on Inclusive Growth. After its economic crisis in 2001, the Turkish economy had relatively high growth rates and stabilized its macro prices, and consistently implemented macroeconomic structural policies which positively affected the investment climate, especially in the period 2002-2007. However, after the global economic crisis, the composition of economic growth has been transformed from supply-driven factors to credit fuelled demand-driven factors i.e. consumption in particular. The domestic saving rate has systematically declined and the current account balance has deteriorated. Furthermore, the share of the manufacturing sector's value added in GDP declined to 15.3 percent in 2013 from 23.6 percent in 1998, in current prices. It has to be noted that manufacturing sectors play a key role especially for developing countries to create employment and avoid the middle income trap and the Korean example demonstrates this very tangibly and convincingly.

Since industrialization is vital for the convergence process of low income countries with high income economies, the quality of economic growth needs to be examined.

In this context, UNDP's forthcoming NHDR on Inclusive Growth can make an important contribution. Inclusive Growth implies a disaggregation of economic growth into its income and non-income components and we will analyze both aspects of the economic structure of the Turkish economy. More specifically, the sectoral composition of the Turkish economy will be examined in terms of its competitive power, productivity performance, skilled and non-skilled labor, etc. Furthermore, the social dimensions of the Turkish economy will be examined in terms of poverty, income inequality, access to education, health and justice, social security system, etc. We hope to conclude this exercise toward the end of 2016.

Ladies and Gentlemen,

In conclusion, I wish to mention a planned or proposed joint activity of UNDP Turkey and TEPAV in the context of T20 which TEPAV and Guven lead during Turkey's G20 Presidency. Through this forward looking activity, it is planned to launch a Global Policy Dialogue Platform bringing variety of international institutions, global think tanks, universities and other relevant organizations from G20 and non-G20 countries. We hope to organize this together in mid-November, 2015 in Antalya which will be at the same time as the G20 Leaders' Antalya Summit. In this international conference, it is aimed to bring experts together to discuss ongoing issues and long-term global economic challenges. The main pillar of this conference will be based on the UN's Global Development Agenda, i.e. the Post-2015 agenda and the SDGs, but it will also prioritize technology issues, Innovation and Global Governance.

Distinguished Guests,

I have spoken too long. Let me now give the floor to the Republic of Korea's Deputy Minister for International Affairs from its Ministry of Strategy and Finance, Mr. Heenam Choi. I want to congratulate TEPAV and KIEP for convening such an important event bringing together such a distinguished group of participants. I would also like to thank the organizers for inviting the UN to this meeting.