

Professors discuss stability of Turkish economy

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Turkish economic professors shared contradicting views on the stability of Turkey's economy Monday at a conference on the transformation of the Turkish economy organized by Boğaziçi University in Istanbul.

Turkey has achieved strong fiscal discipline and established a credible inflation-targeting framework, in turn bringing inflation to single digits and preserving financial stability, according to Ali Kutan, a professor of economics and finance at Southern Illinois University, who spoke at the event.

Decisions by the Central Bank contributed much to the country's financial success, Kutan said, who is also an associate member of the Emerging Market Group, or EMG.

"Turkey has achieved significant accomplishments in the past decades and in my view the most important achievements include the strong decline in inflation and fiscal deficit, which established stability and fiscal discipline," Kutan said.

The professor said in 2001 the inflation rate in Turkey was 70 percent but nowadays was in the single digits. He said the public debt to gross domestic product ratio was 98 percent nine years ago but declined to 45.5 percent in 2009.

"At the beginning of 2002, the Turkish Central Bank began implementing an implicit inflation targeting framework," said Kutan. "Coupled with fiscal discipline and economic reforms, the framework has helped guide inflation from 70 percent to below 10 percent in just 29 months and to below 8 percent as of the end of 2005."

The decline in real GDP was deeper and took place more quickly in the recent than in previous crisis, the professor told the Hürriyet Daily News & Economic Review.

Still, Kutan said that although the unemployment rate declined about 2 percent in 2010, it still remains relatively high despite significant economic growth since 2001. "In the recent economic crisis, exports declined due to the fall in global demand and the appreciation of the Turkish Lira and hence exports have not contributed to the recovery at all," he said.

Warning on the increasing current account deficit, Kutan told the Daily News, "If the growing current account deficit continues over time, it will even have a negative impact on economic growth."

'No road map'

On the contrary, Sadık Ünay, associate professor in the economy department at Balıkesir University, said after the 2001 crisis there emerged no clear agenda and no strategic road map for sectoral, regional and competition-oriented aspects of long-term structural change.

Speaking at the same event, Ünay said, "The recent orientation toward the financial and service sectors has weakened second-generation reforms aimed at industrial and technological upgrades."

In terms of the state and labor relations, the ruling government has serious problems such as leveling the conditions and rights of labors and labor unions, which are not compatible with EU norms, he said.

“Turkey’s gradual rise as a trading state with increasing export potential cannot be interpreted as an emergence of fully fledged competition state,” Ünay said.

Turkey is turning more into a “trading state” than a “competition state” in the global arena, he said.

Sources

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