

Finance

by Taylan Bilgiç

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New, fair global order a must to overcome crisis

ISTANBUL - Meeting in Istanbul ahead of the G-20 summit on the global economic crisis, Turkish representatives agree that a new global economic order is dawning, and it must be one that lends greater voice to developing nations. A businessman proposes trade embargoes against protectionists, while an economist says the 'liberal dogma' that reigned for years is over

Turkish businesspeople, bankers, economists, academics and journalists met Saturday to discuss the global crisis, delivering a message on behalf of the developing nations to the advanced ahead of the April 2, London G-20 summit.



Saturday's meeting, held at the British Consulate-General in [Istanbul](#) and supported by [Hürriyet Daily News & Economic Review](#) and business daily [Referans](#), was part of the global effort the British leadership is engaged in to make sure "concrete steps" are made at the crucial London summit, a result that would reassert Britain's role in global affairs and as a center of international finance.

Many speakers at the meeting, organized by the Global Political Trends Center, or GPoT, and the Research Center for Economy and Foreign Policy, or EDAM, criticized advanced economies, calling for a 'new order' where developing nations have more say.

The [Istanbul](#) meeting constituted a 'civil society initiative' as problems the world faces are "too important to be left to states to solve," said [Mensur Akgün](#), director of GPoT. [Nick Baird](#), the British ambassador to [Ankara](#), said we were living in "the first crisis of globalization," and a solution should be found globally. Noting the importance of open markets, Baird said Turkey, as 'a unique voice,' has 'a unique role to play' as a G-20 member.

Criticizing the current global financial architecture, [Rifat Hisarcıkloğlu](#), the president of the Turkish Union of Chambers and Commodity Exchanges, or TOBB, said the "post-World War II system" was not capable of solving problems anymore. "Previous crises would erupt suddenly and we would know they would end," he said. "But we cannot see the end of this one. In the past crises, at least one of the four channels, namely foreign trade, foreign credit, domestic trade or domestic credit would be open. Today they are all sealed shut."

The globalized economy is facing politics that are still made at the national level, and this causes "tension," which especially manifests itself at times of crises, [Hisarcıkloğlu](#) said. "Global institutions should be more reflective of countries' demands," the TOBB president continued. "Non-financial sectors should be more heard in the new global system. Small- and medium-sized enterprises should be represented in this system."

Resolving the resource issue

But before a new order is created, the "problem of resources" should be solved immediately, he said, proposing a "government-to-government" credit mechanism. "Resources can be transferred to developing nations in this way," he said.

Bankers taking the floor agreed that Turkey's 2001 crisis had similarities to how the current crisis started. "The problem lies at the wrong relation set up between risk and price," said [Ergun Özen](#), [Garanti Bank's](#) chief executive. "Mathematical models drifted away from common sense," he said. Supporting the "bad bank" solution proposed in the United States, Özen said toxic assets should quickly be transferred to this "bad bank" and dropped off the books. "But they are still debating how to price these," he said, pointing to the fact that for the past seven months, not a single bank was able to increase capital through capital markets because of these toxic assets.

His suggestion was disputed by [Ayşe Botan Berker](#), general manager of [Fitch Ratings Turkey](#). Pricing toxic assets is an extremely complicated process and writing them all down with zero value would result in the collapse of all banks, she said. That seemed fine for [Ali Ağaoğlu](#), editor-in-chief of [Fortune Turkey](#), who said zombie banks should be let go. He said that the global financial architecture is heading toward an oligopolistic nature, a trend that would harm competition.

"Globalization has created 200 million jobs in six years," said [Garanti's Özen](#). "But today, 100,000 jobs are being lost each day just in emerging markets. Inflow of foreign capital to these markets totaled \$1 trillion before the crisis, but now it has fallen to \$165 billion. Only \$30 billion will flow to the region that includes Turkey."

The International Monetary Fund, or IMF, should be funded to the tune of \$500 billion to aid emerging economies, but first the unequal representation system should be fixed, Özen said.

"Belgium has more say in the IMF than China," he said. Recalling the trillions of dollars poured into economies by governments, [Zafer Kurtul of Akbank](#) said such spending would skyrocket public debt and Turkey would not be immune. "By the end of the year, domestic debt and interest rates will rise," he said. "The government has to declare long-term targets immediately. How will we return to fiscal discipline?"

The Transatlantic debate on aid packages, seen by many as a potential rift that could endanger the G-20

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summit, was also discussed at Saturday's meeting. Reminding that the United States wanted the European Union to spend more for stimulus, Refik Erzan, an economist at Boğaziçi University, said the real problem is the "taboo of nationalization" in the United States. "The U.S. package should of course be bigger, as it does not have the kind of social safety network that Western European countries enjoy," he also said.

As a solution, Ağaoğlu of Fortune Turkey offered the "founding of a financial United Nations," and said that the mission of Bretton Woods institutions was essentially over.

The G-20 summit should "make a decision that any member who engages in protectionism should face a voluntary trade embargo," said Mehmet Büyükekçi, chairman of the Turkish Exporters' Assembly.

Economist Taner Berksoy of Bahçeşehir University, meanwhile, defined the crisis as a "correction of accumulated inequalities."

"There reigned an unquestionable liberal dogma, but that is now over, at least for the foreseeable future" he said.

Speaking on an expected "unemployment explosion" in Turkey, Seyfettin Gürsel, an economist at Bahçeşehir University, said the government is not aware of the gravity of the situation. "There will be a great shock of unemployment, and this will also have political consequences," Gürsel said. His warning was supported by Jesko Hentschel of the World Bank. "The financial crisis is turning into a social crisis, a crisis of poverty," Hentschel said.

The only labor union representative at the meeting, Salim Uslu, president of the conservative Hak-İş Labor Confederation, said that employers were using the crisis as an "opportunity" against workers.



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