



# Central Asian Investment Conference

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**Deputy Prime Minister of the Republic of Turkey**

February 18, 2016



# ***Presentation Plan***

**Global Economic Outlook**

**Outlook on Central Asia**

**Need for**

- **Diversification**
- **Investments & Level Business Field**
- **Reforms**

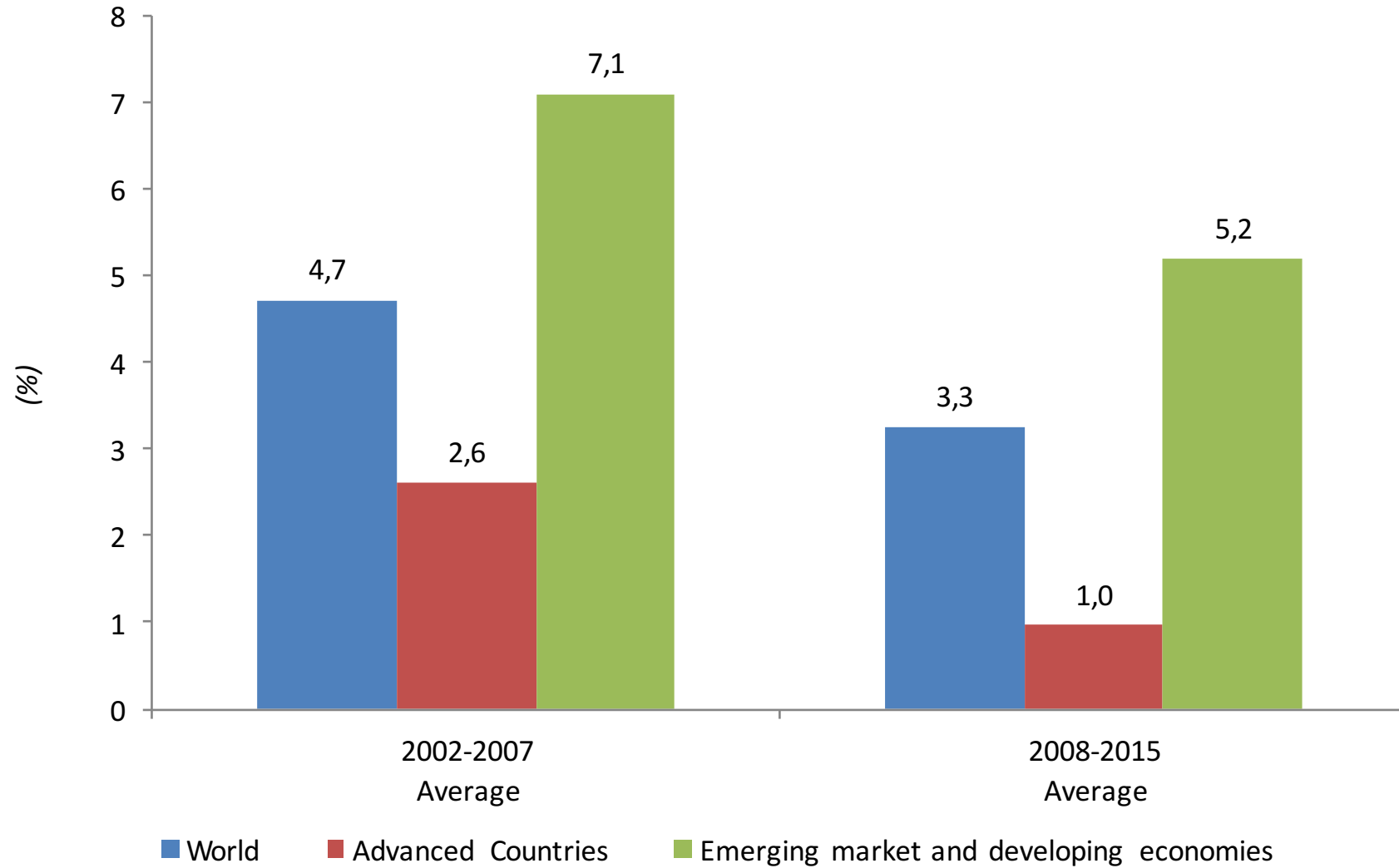
**Turkey's**

- **Reform Program**
- **Long-Term Prospects**



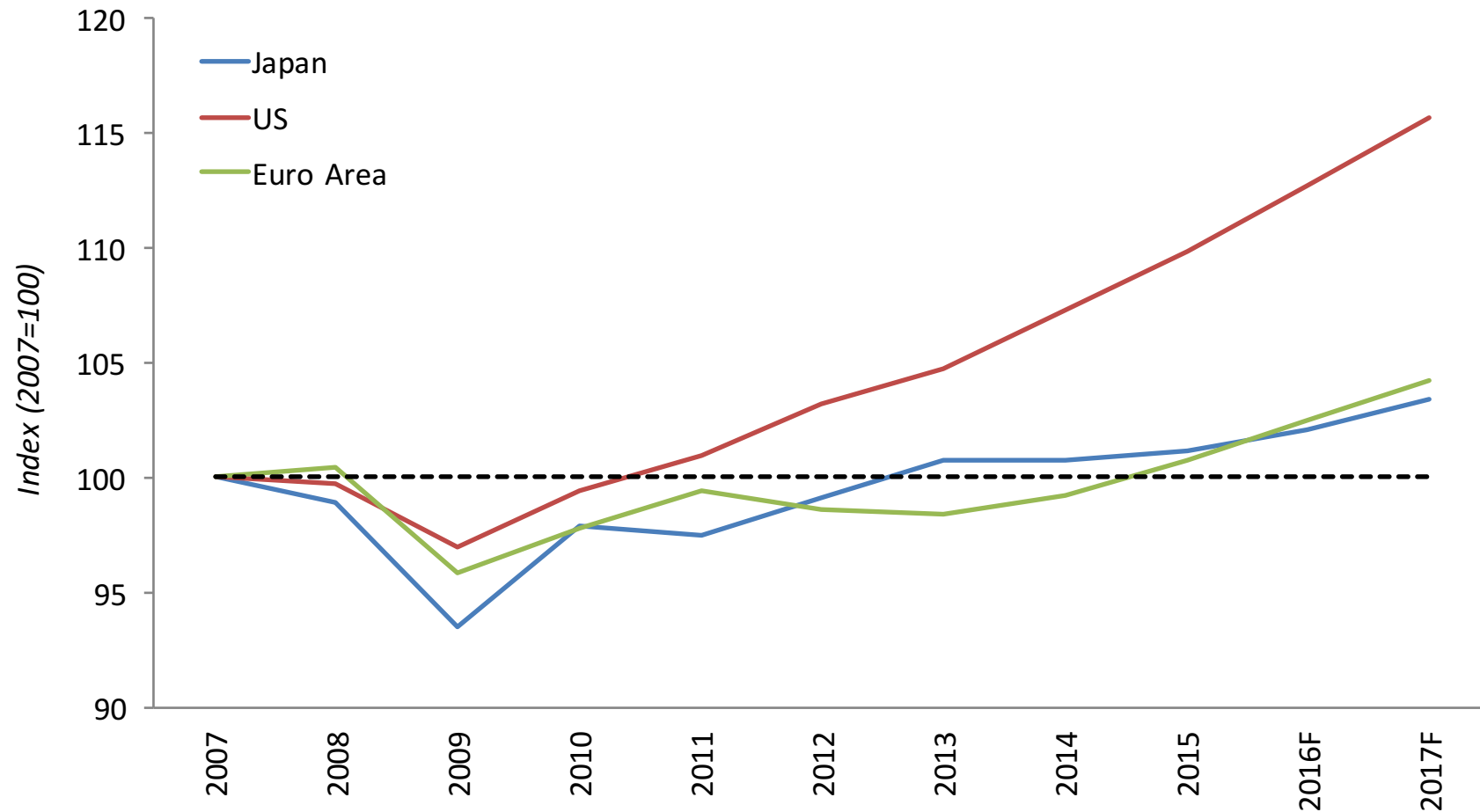
# Global Economic Outlook

# *Low Global Growth Post-Crisis*



Source: IMF

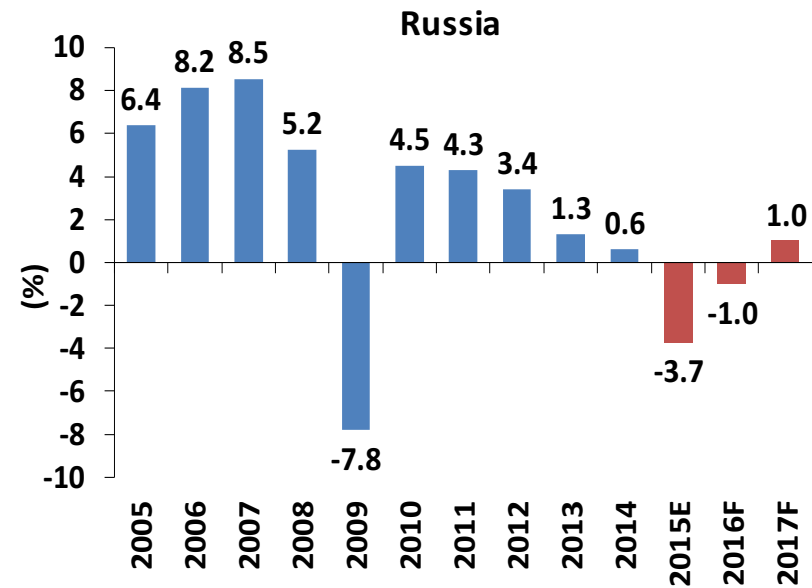
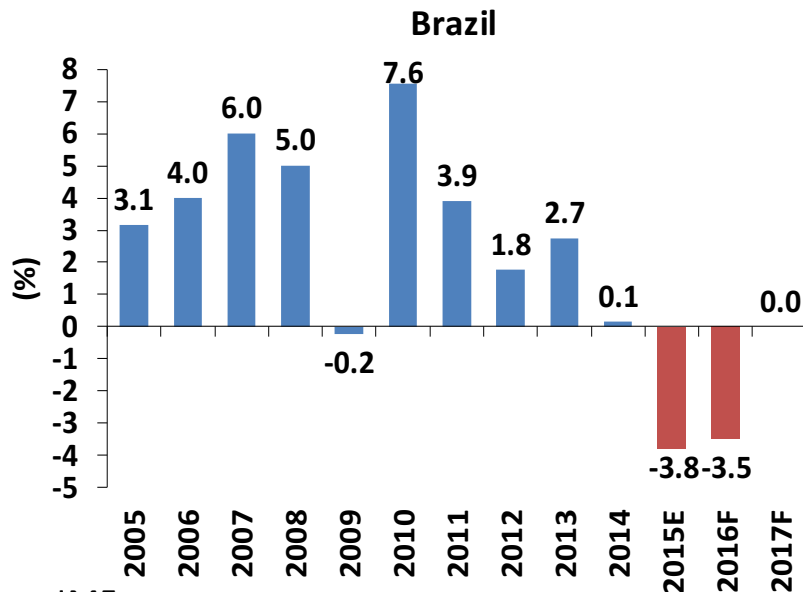
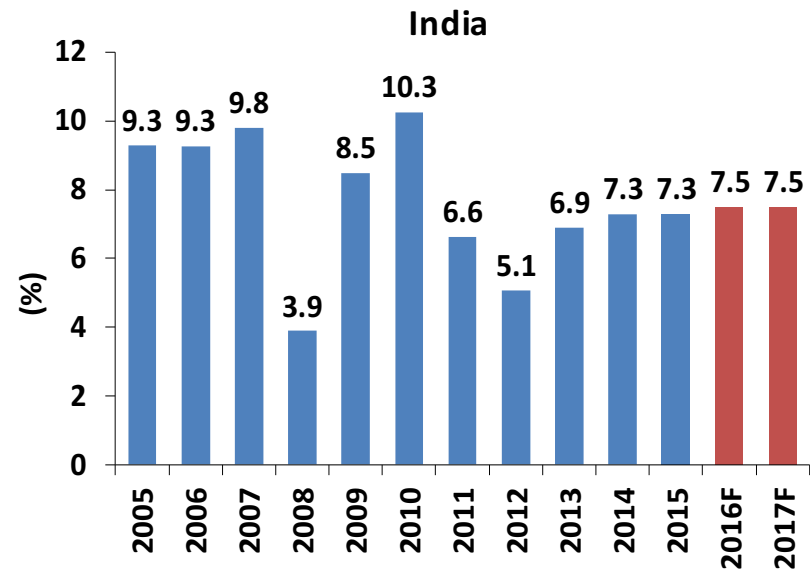
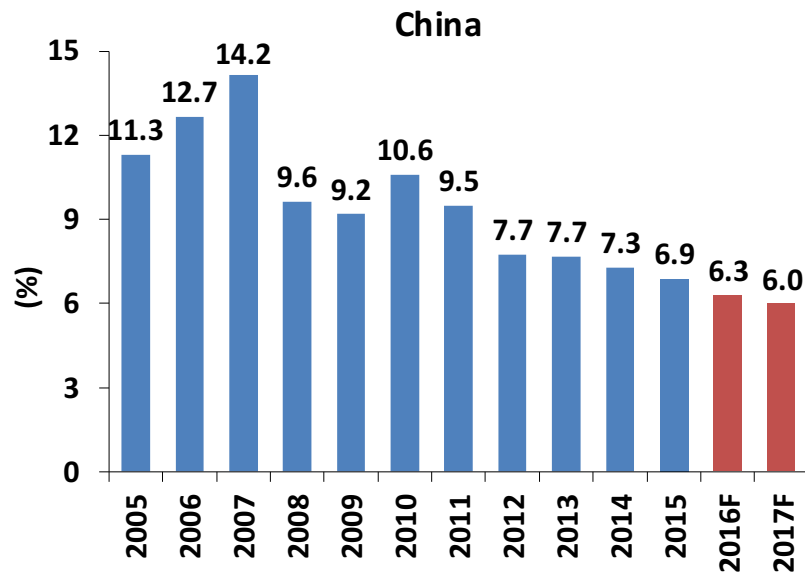
# *Growth in Advanced Countries*



Source: IMF

F: Forecast

# Growth in Emerging Market Economies



Source: IMF

E: Estimate, F: Forecast

# ***Global Economic Risks***

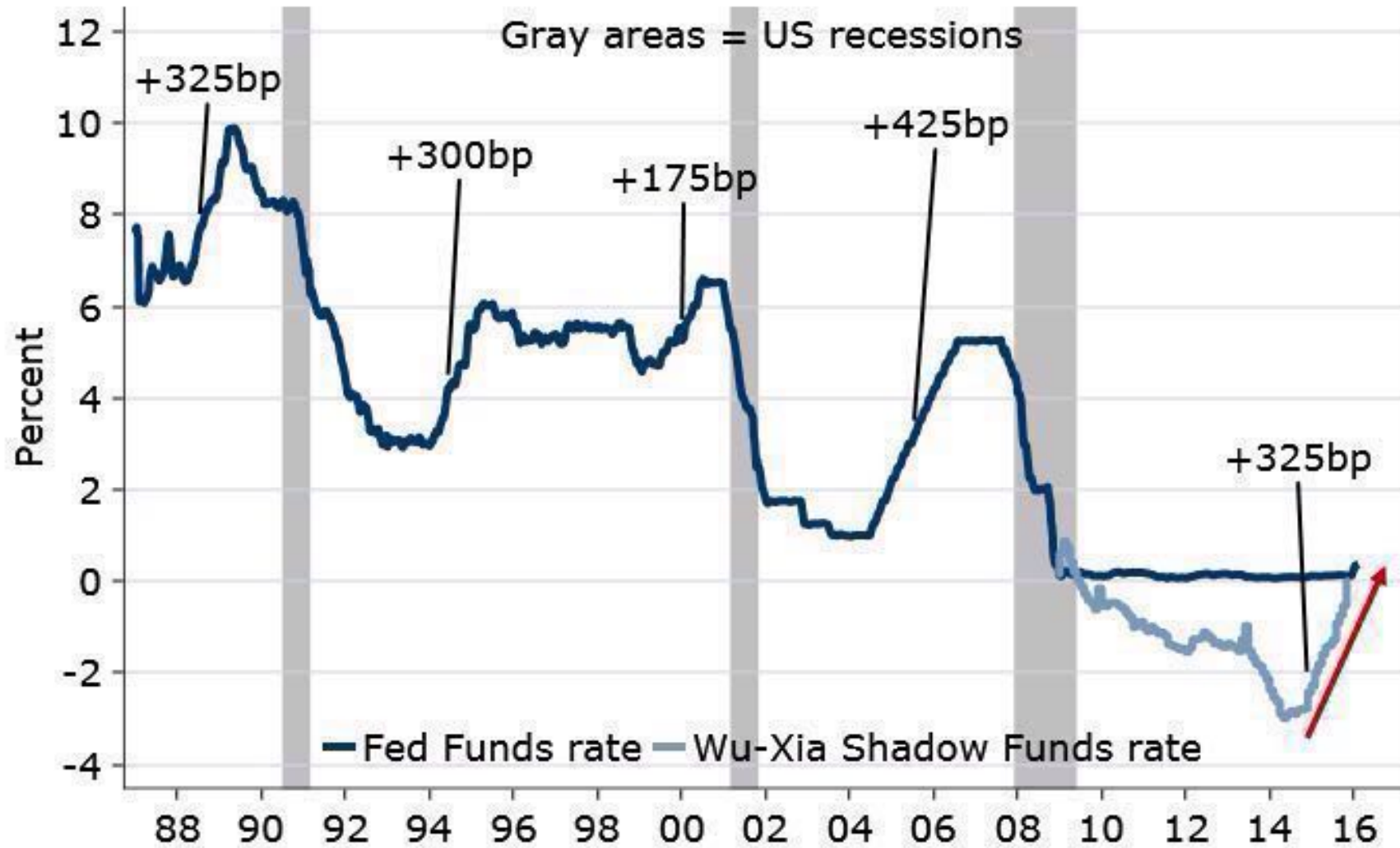
**Fed Rate Hike**

**Chinese Economic Slowdown**

**Low Commodity Prices**

**Geopolitical Tensions and Political Uncertainties**

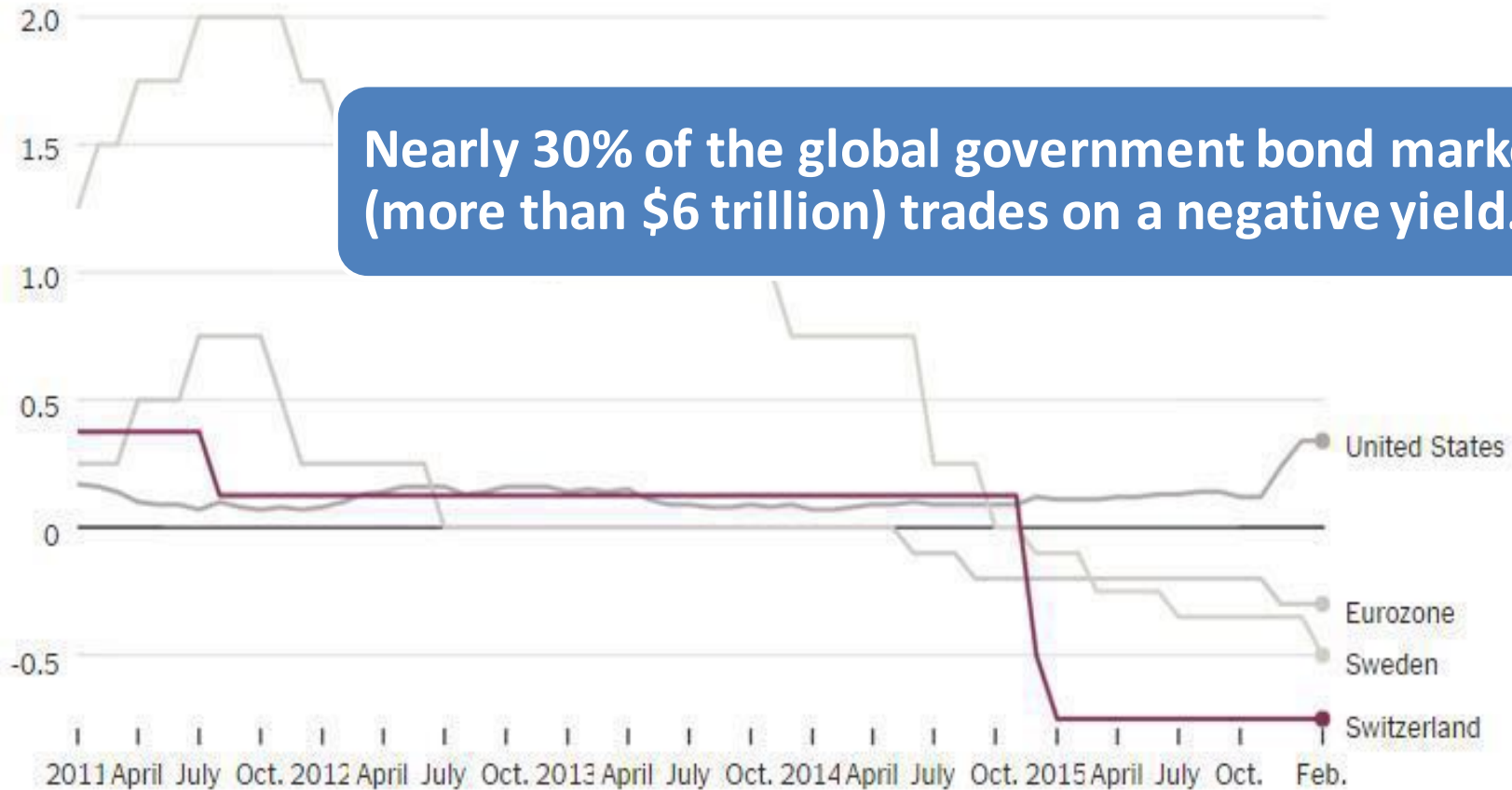
# US Monetary Policy



Source: FRB Atlanta, Nordea Markets and Macrobound



# Negative Interest Rates

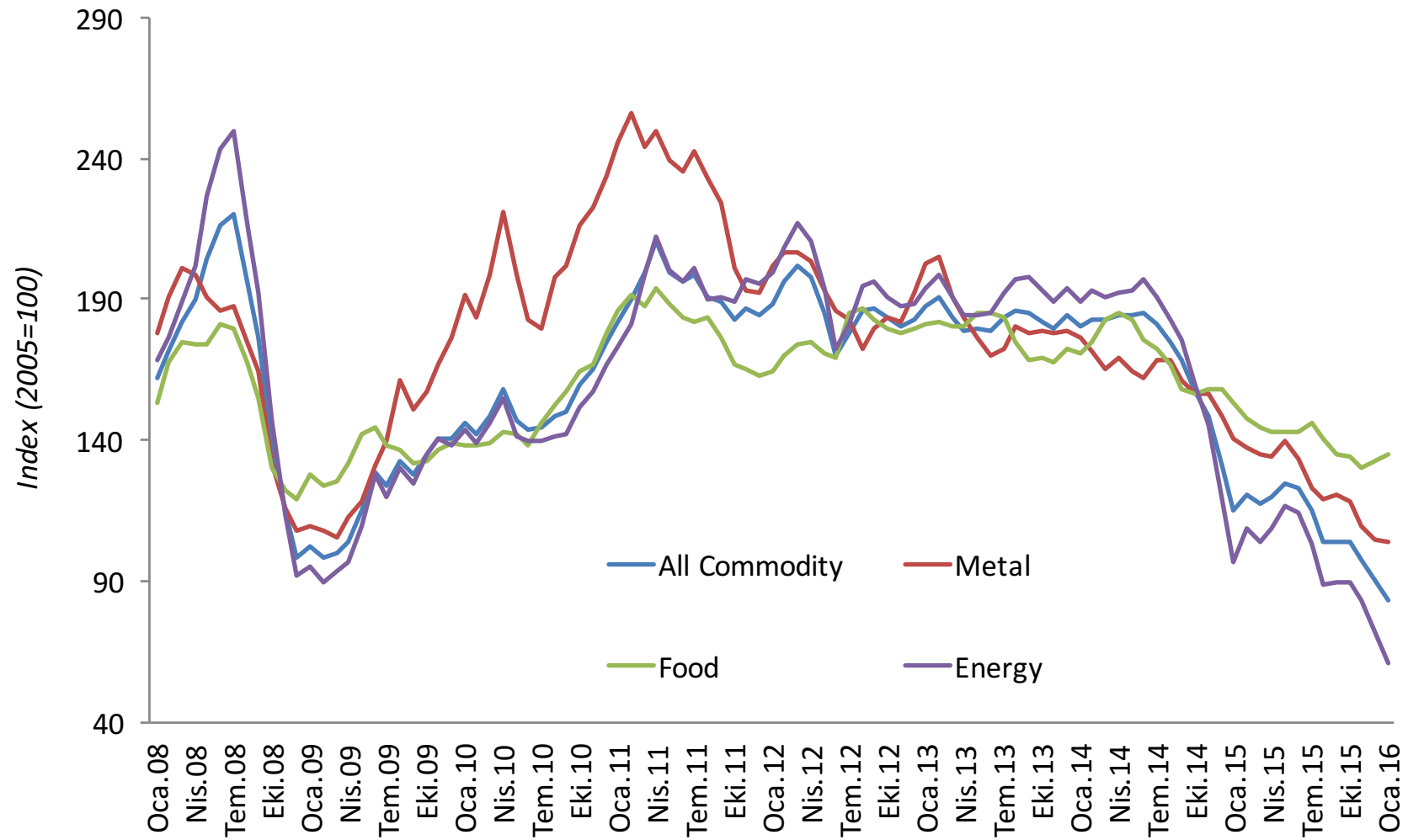


\*Effective federal funds rate for US; ECB deposit facility rate for Eurozone; Riksbank main repurchase rate for Sweden; Swiss National Bank 3-month Libor target for Switzerland

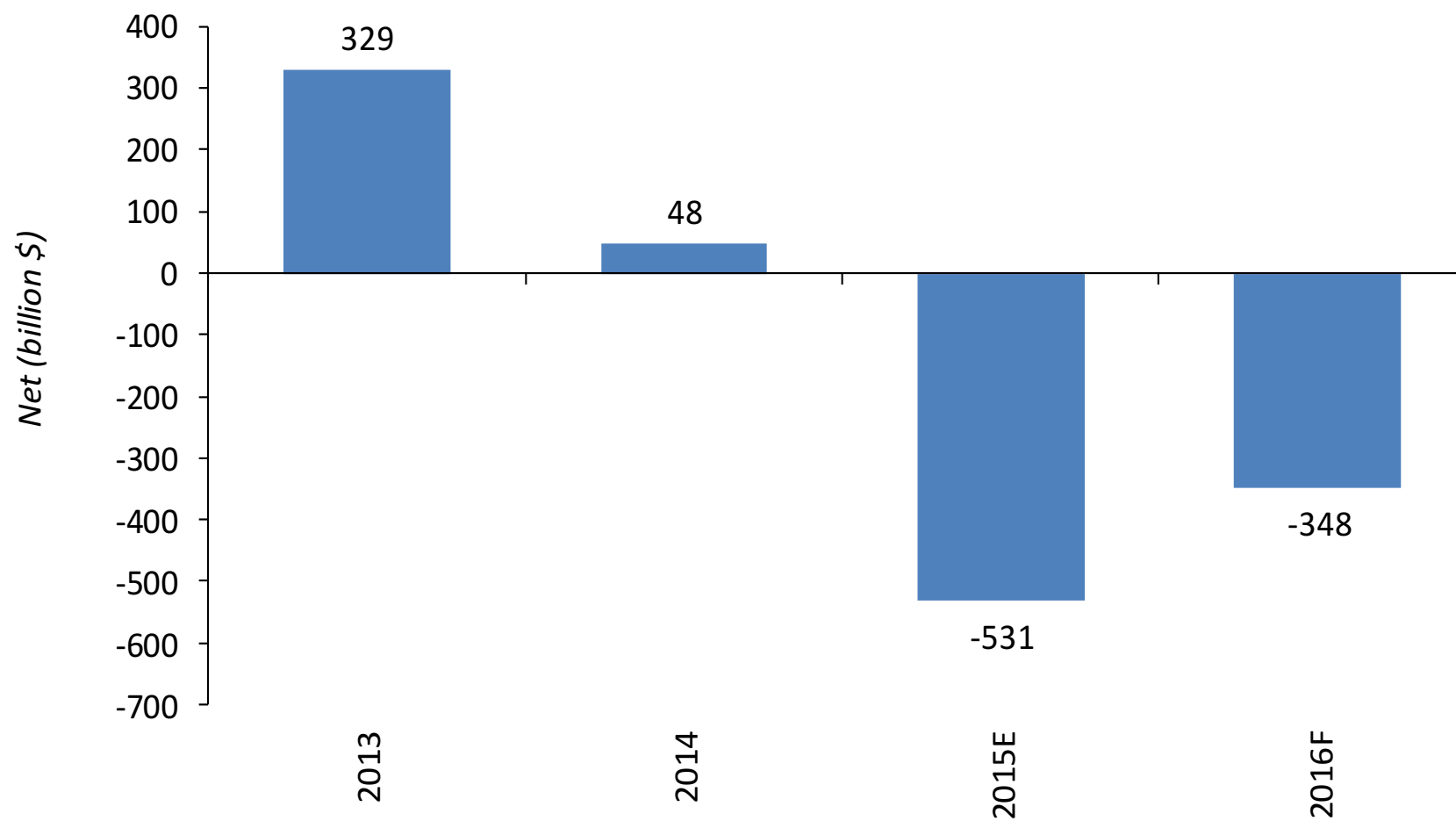
Source: NY Times (FED, ECB, Swedish Riksbank, Swiss National Bank)

\*The Economist, CNBC

# Low Commodity Prices



# *Net Capital Flows to Emerging Markets*



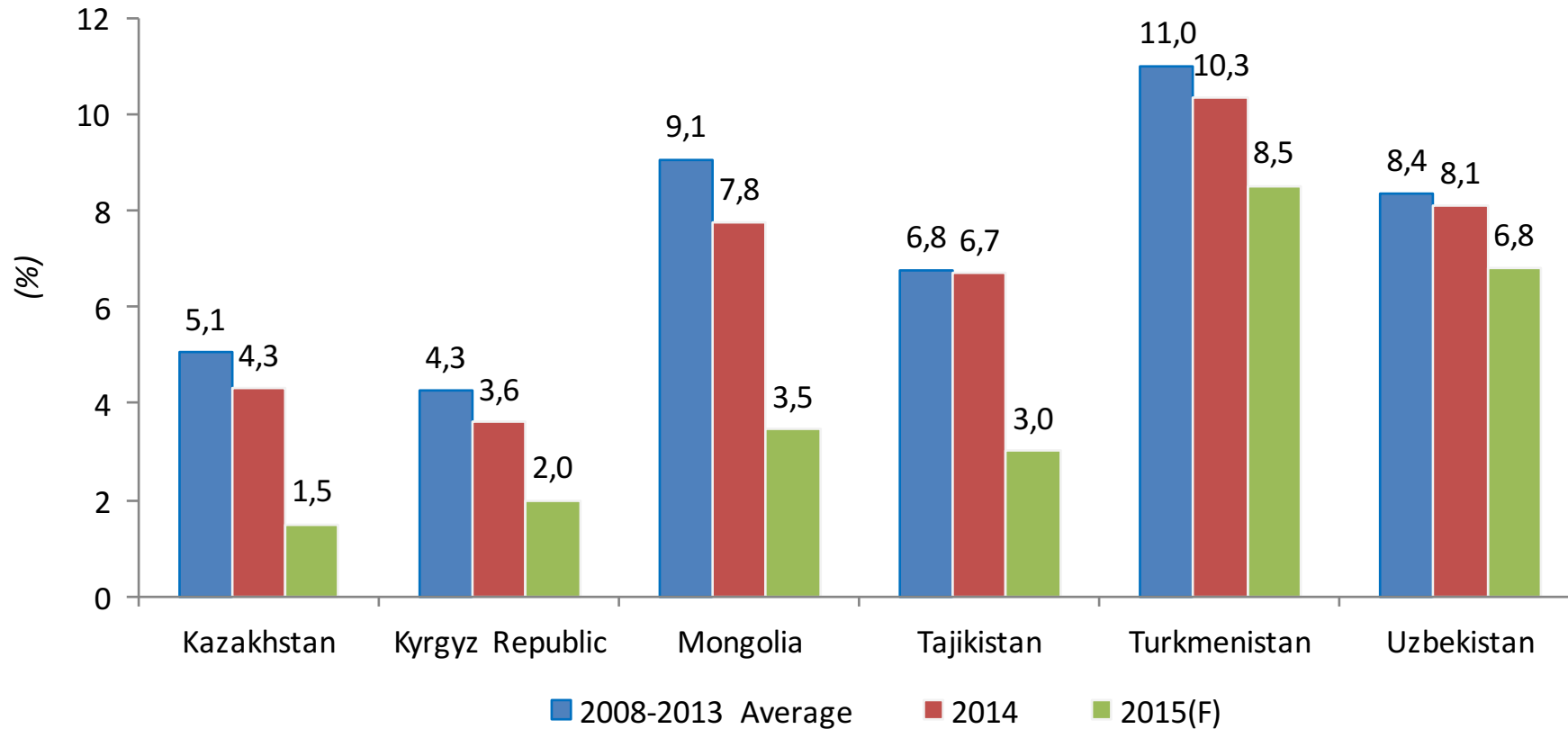
Source: IIF

E: Estimate, F: Forecast



# Outlook on Central Asia

# Slowing Growth in Central Asia

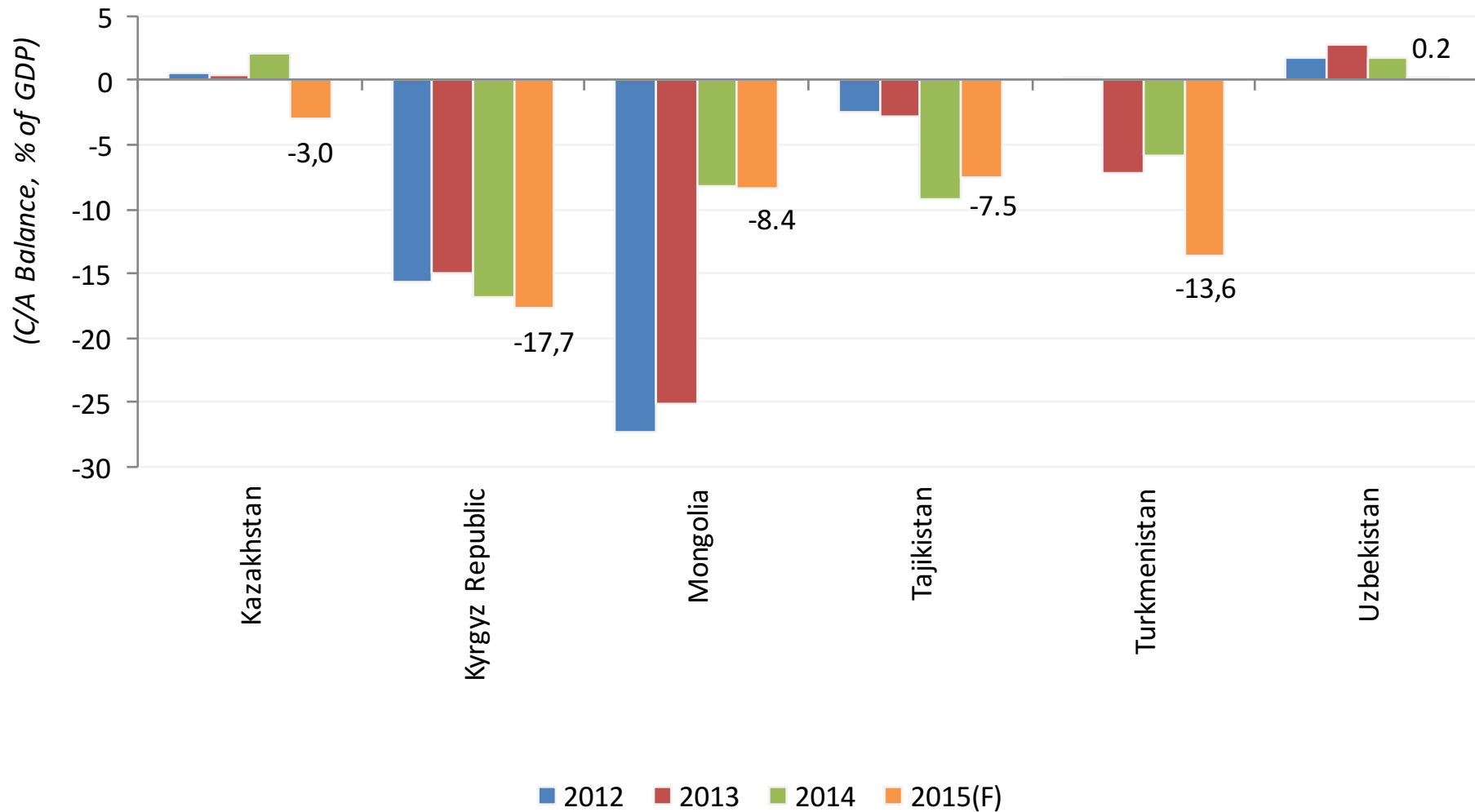


(%)	Kazakhstan	Kyrgyz Republic	Mongolia	Tajikistan	Turkmenistan	Uzbekistan
2016(F)	2.4	3.6	3.6	3.4	8.9	7.0
2017(F)	3.8	4.6	3.7	4.1	9.2	6.7

Source: IMF, October 2015

F: Forecast

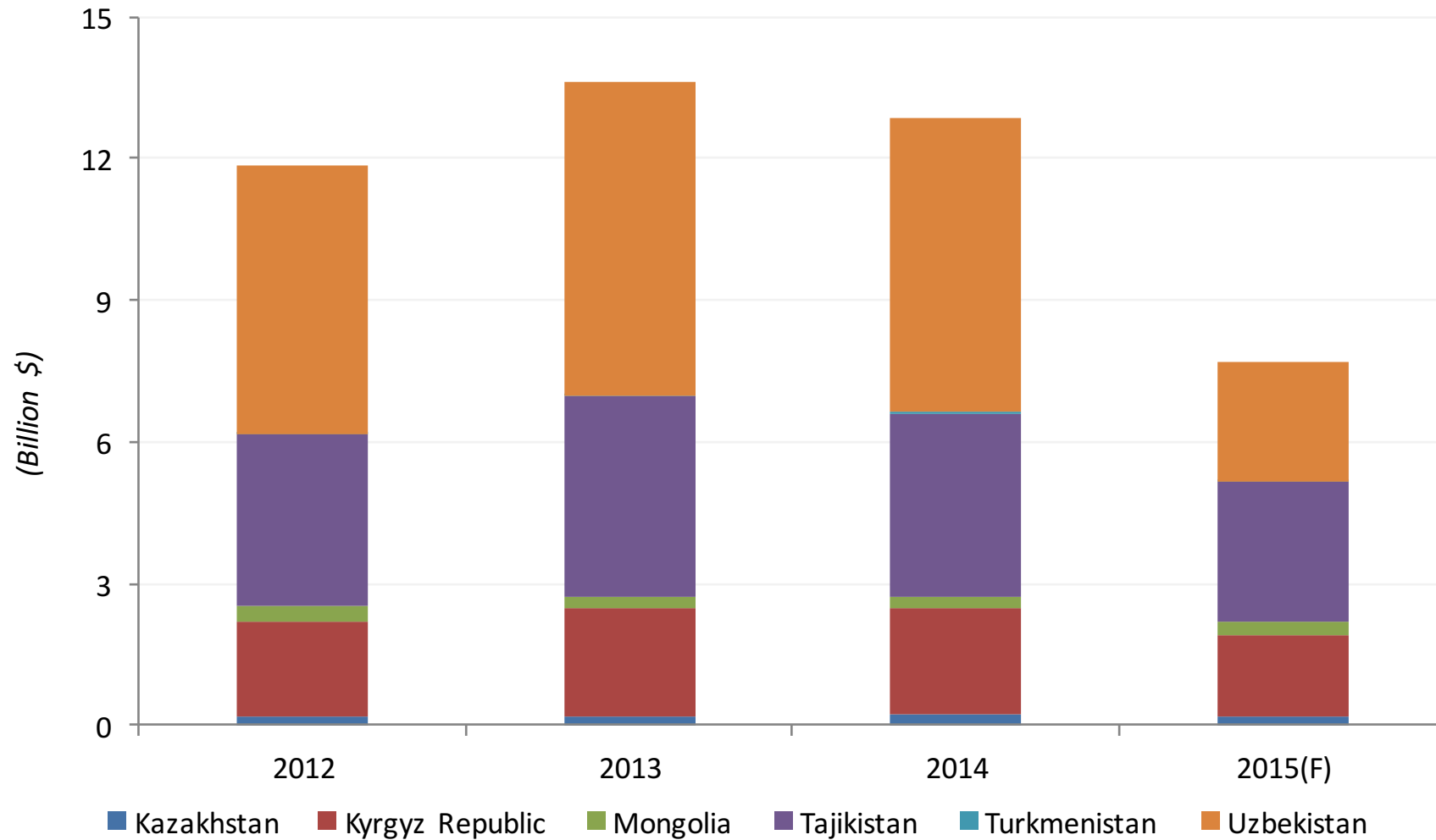
# Deteriorating Current Account Balances



Source: IMF, October 2015

F: Forecast

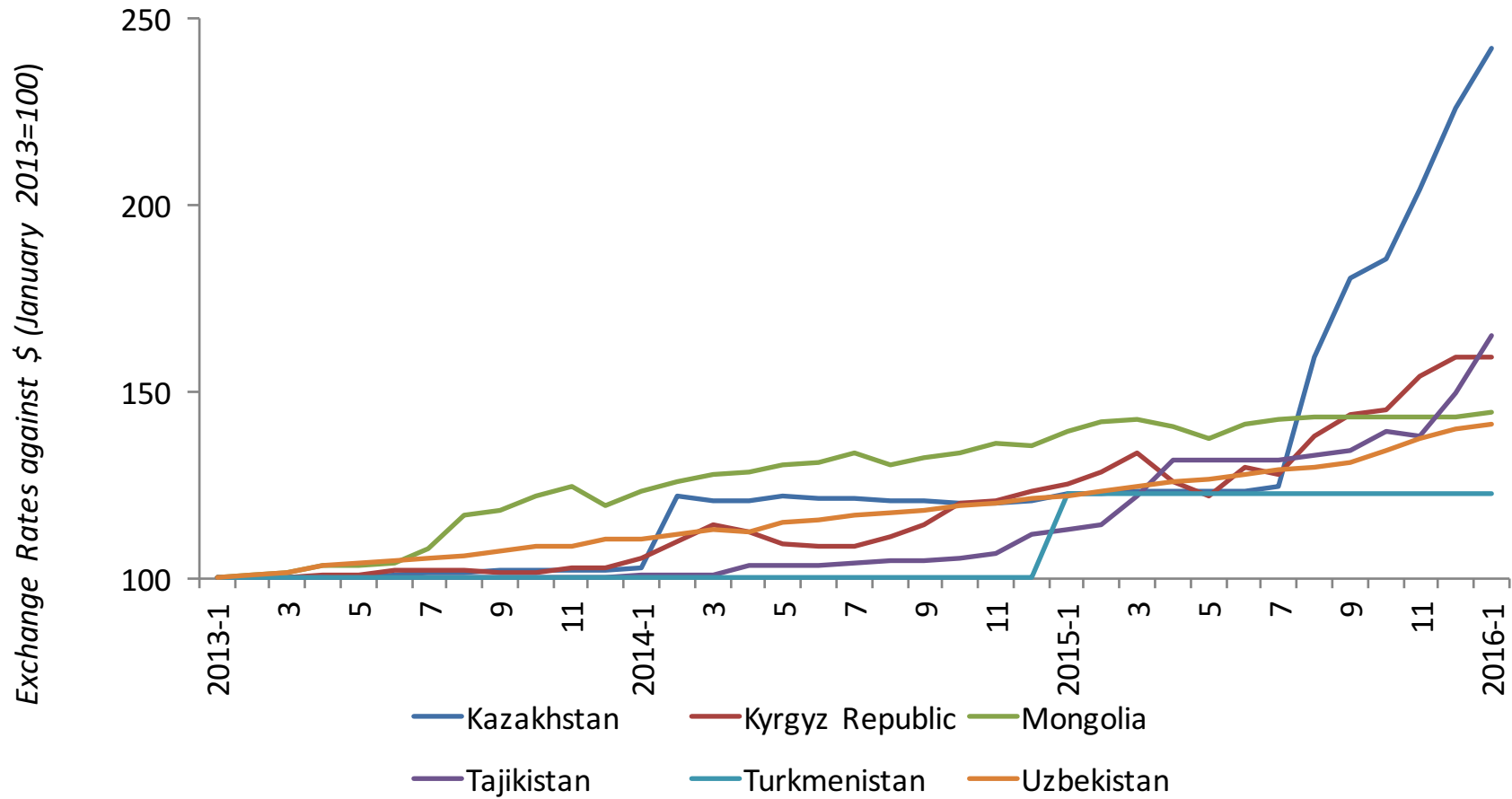
# Weakening Remittances



Source: World Bank

F: Forecast

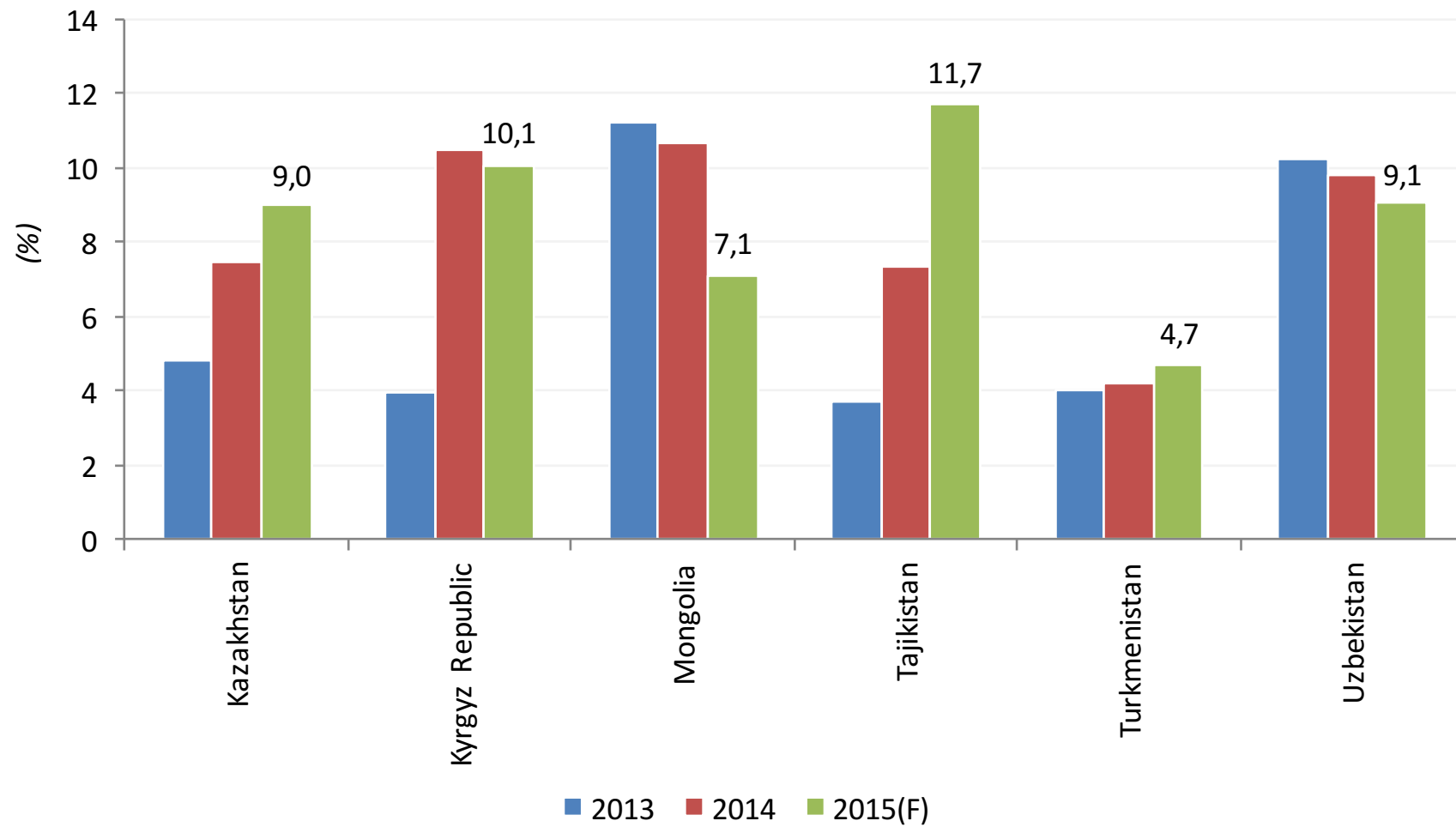
# Depreciating Currencies



Source: Bloomberg



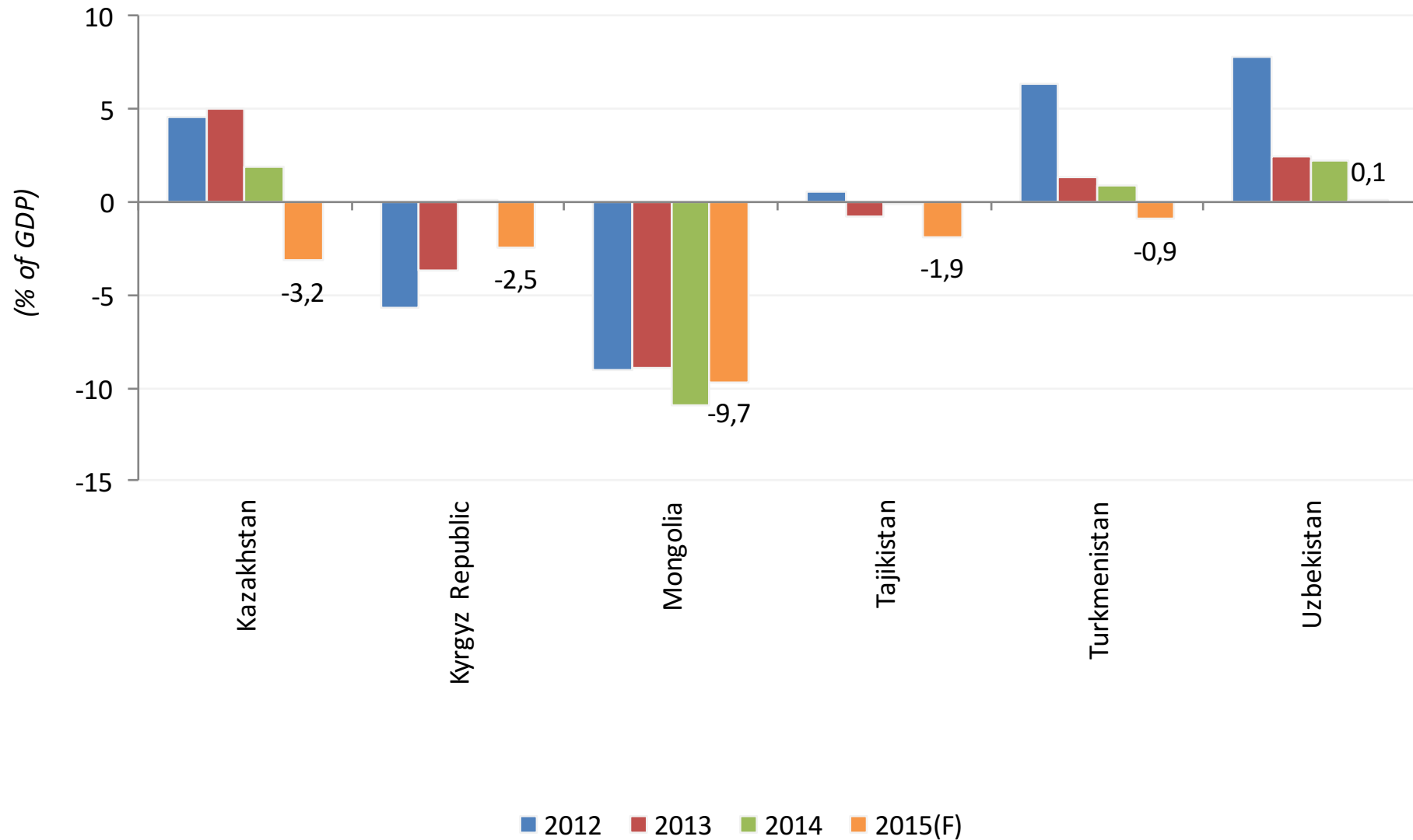
# *High and/or Rising Inflation*



Source: IMF, October 2015

F: Forecast

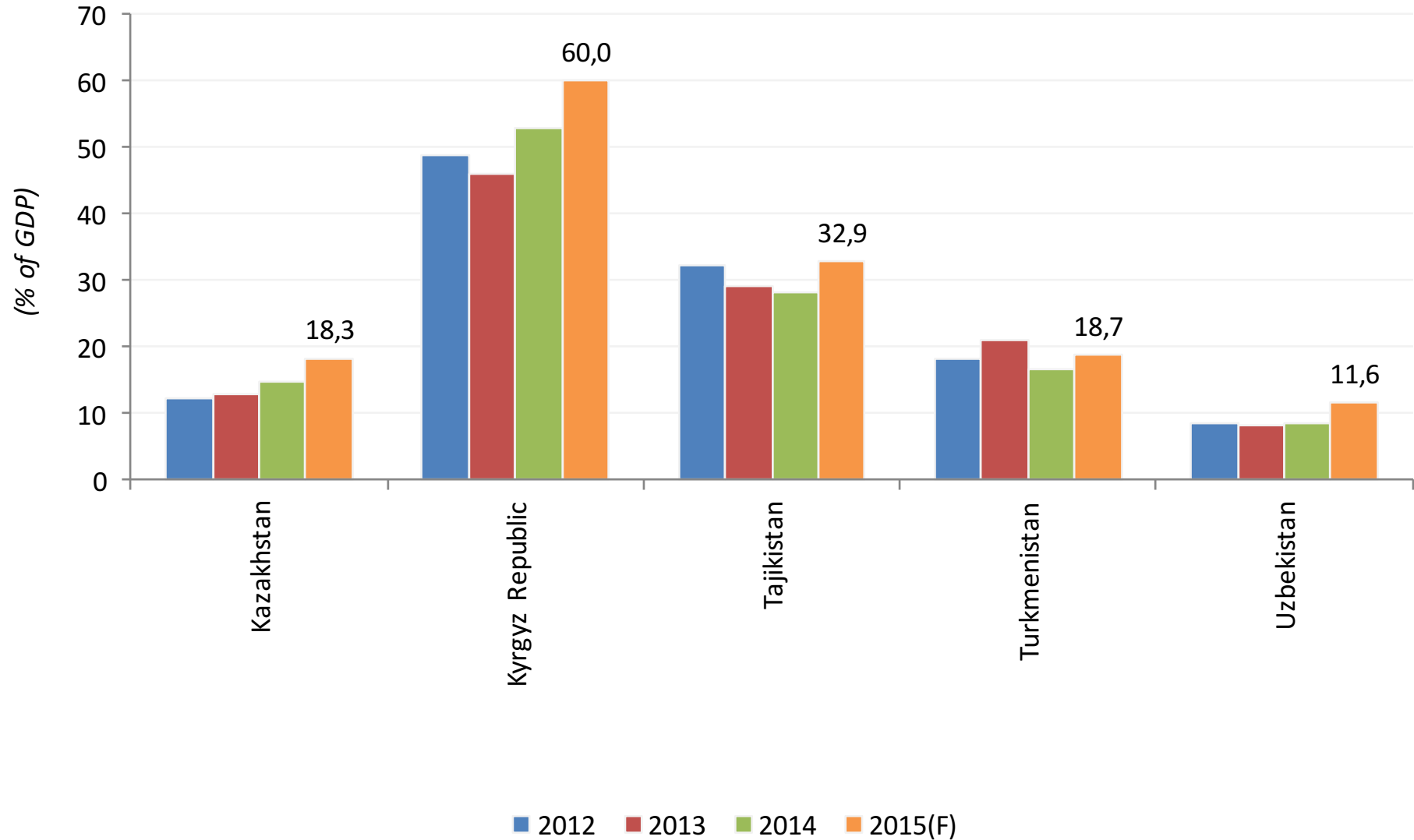
# *Deteriorating Budget Balances*



Source: IMF, October 2015

F: Forecast

# Rising Public Debt



Source: IMF, October 2015

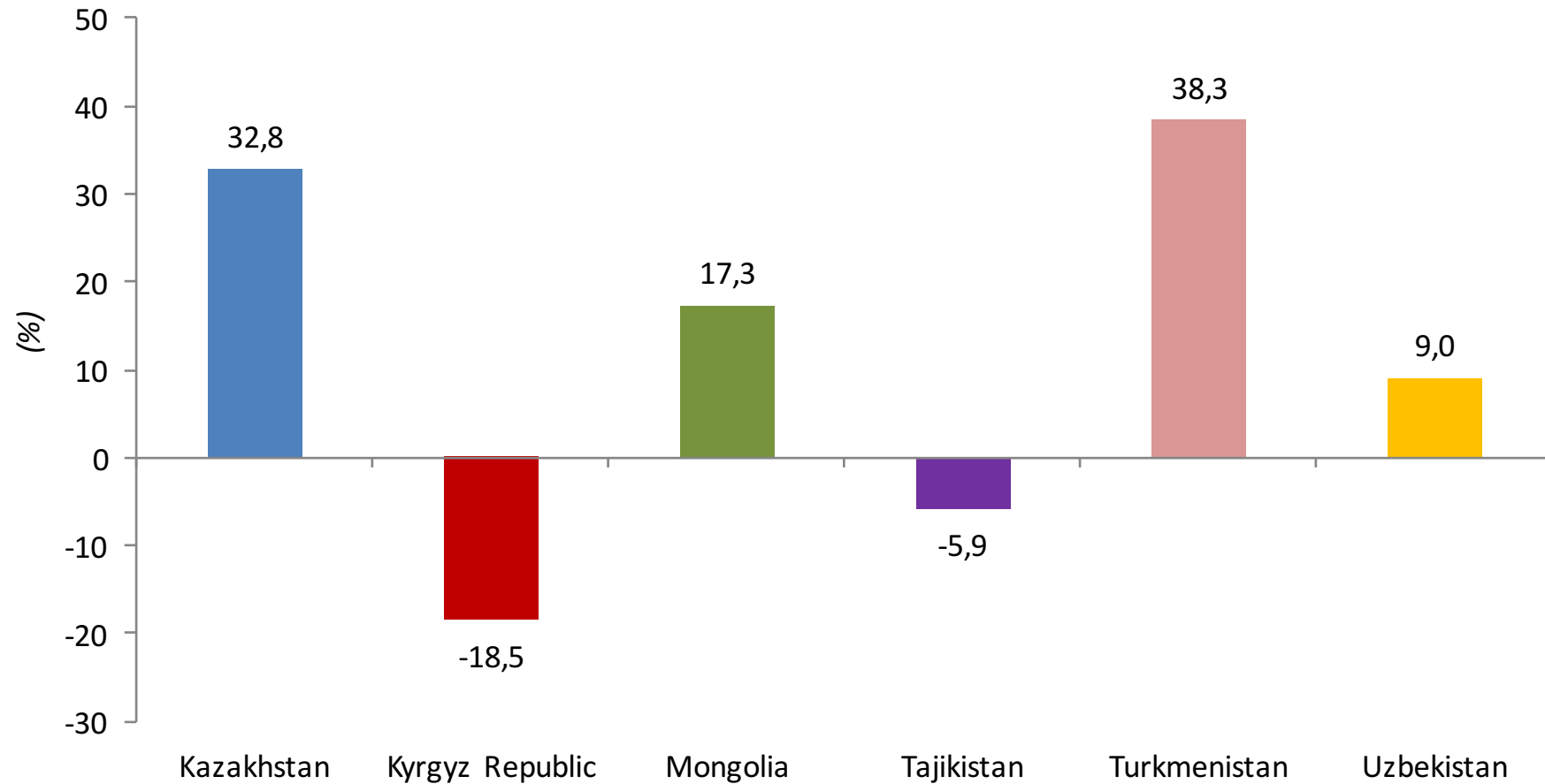
F: Forecast



## Need for Diversification

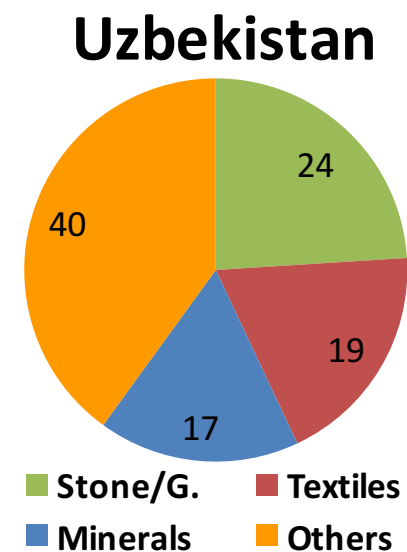
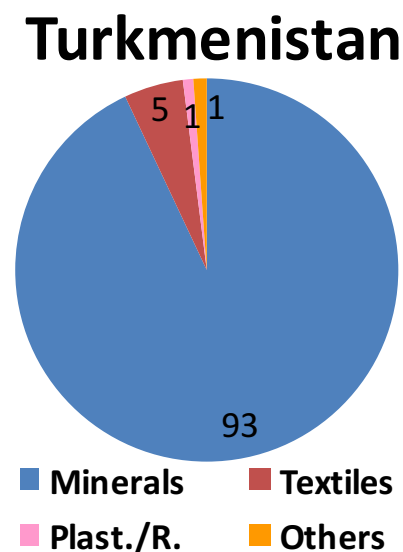
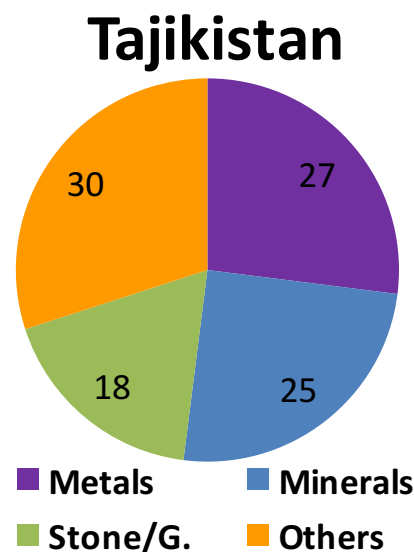
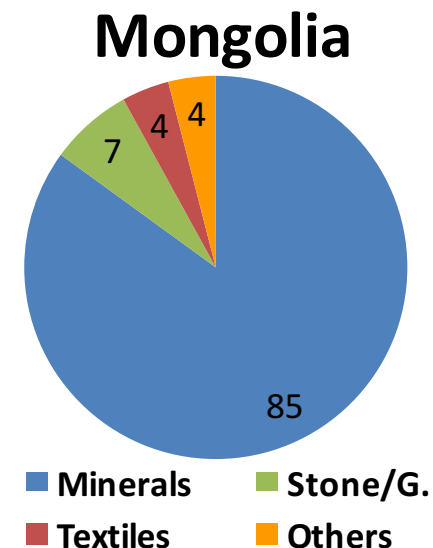
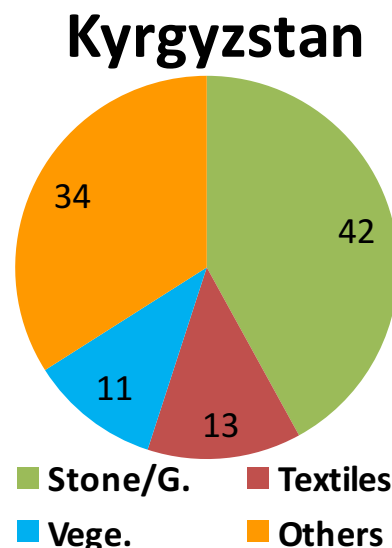
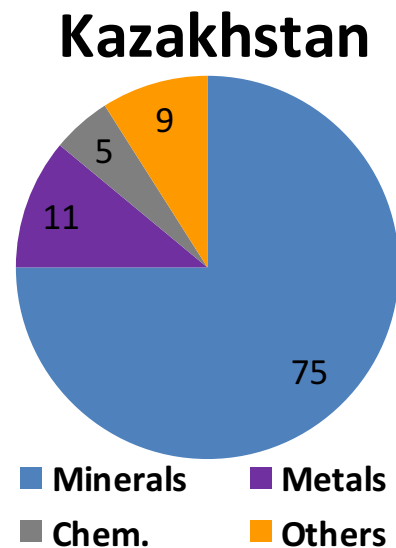
# ***Need for Economic Diversification***

*Net Commodity Exports (% of GDP, 2010-2013 average)*



# Need for Export Diversification

Exports by Product Groups, percent (2014)

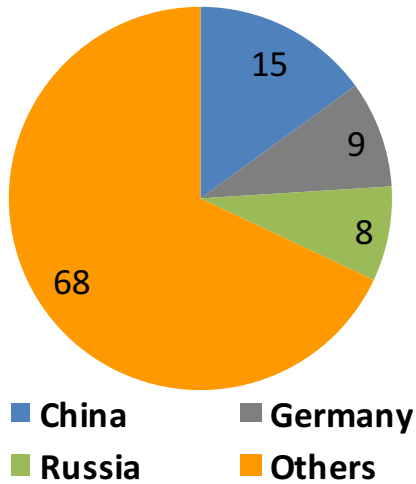


Source: The Atlas of Economic Complexity, Harvard

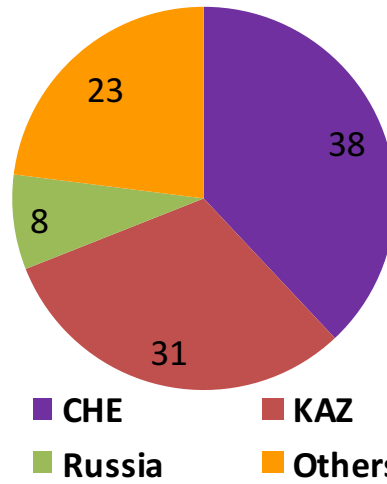
# Need for Geographic Diversification

Exports by Destination (% ,2014)

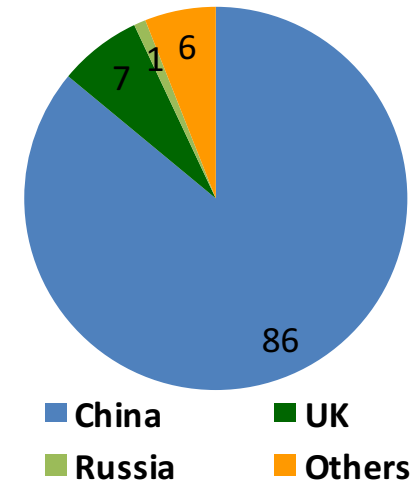
## Kazakhstan



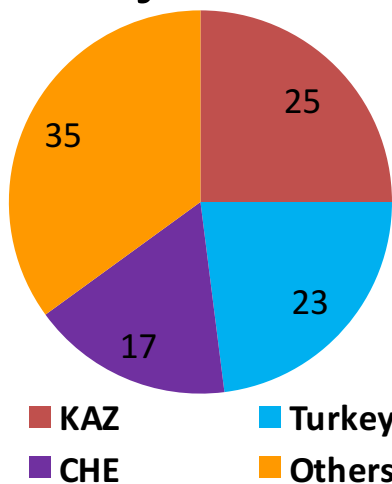
## Kyrgyzstan



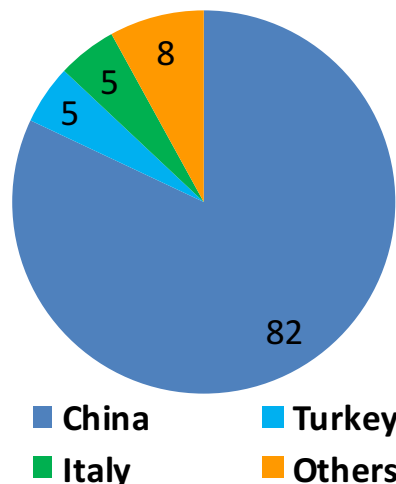
## Mongolia



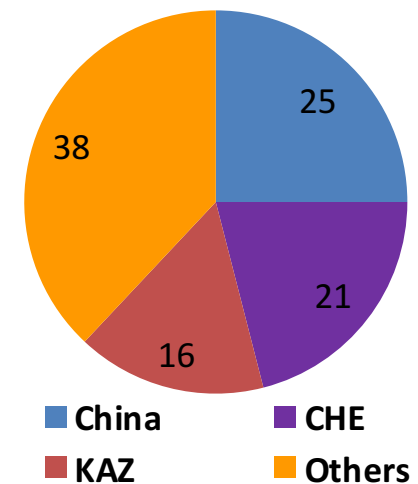
## Tajikistan



## Turkmenistan

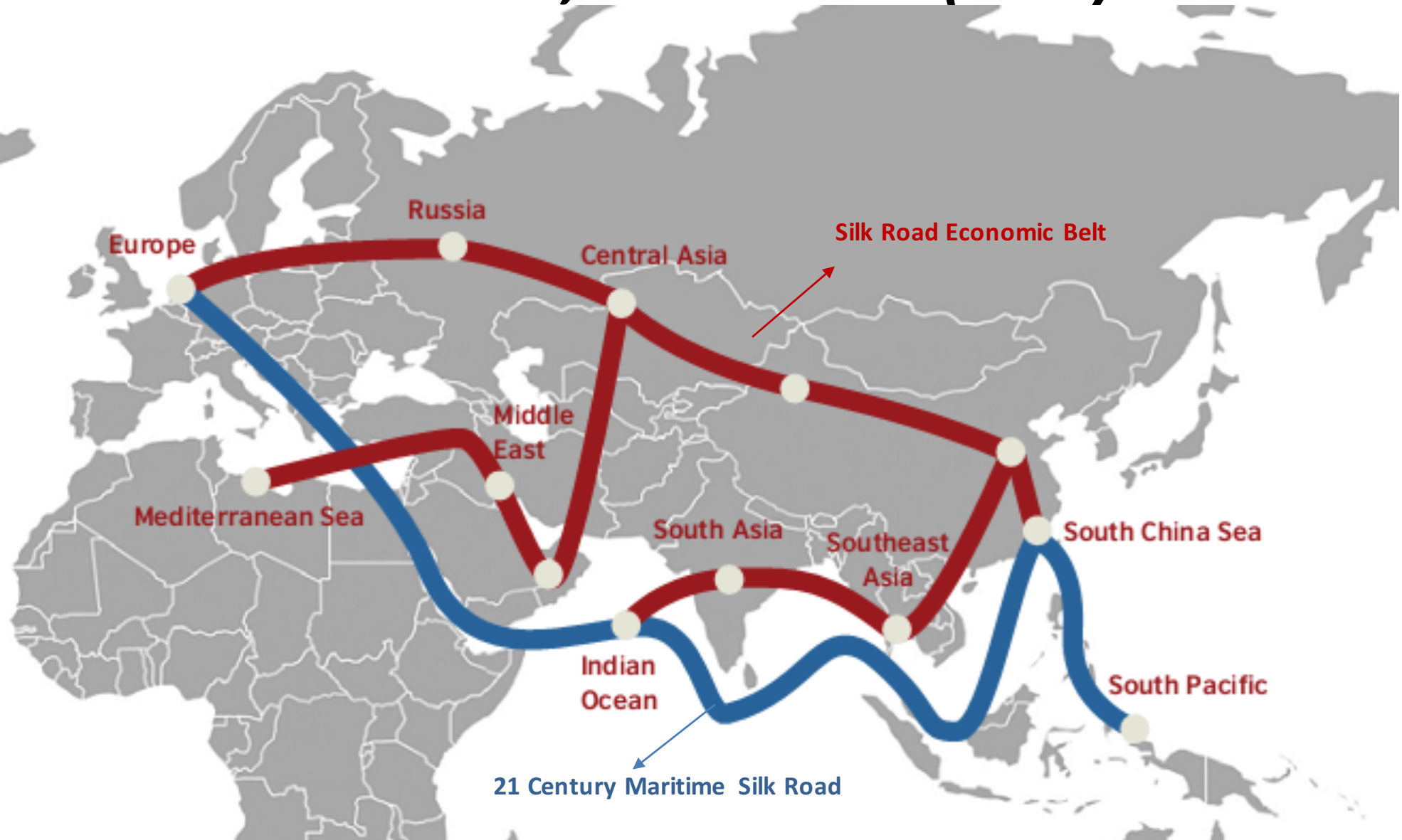


## Uzbekistan



Source: The Atlas of Economic Complexity, Harvard

# «One Belt, One Road» (B&R)



**Source:** «A role for UK companies in developing China's new initiative», China British Council Report, [http://www.cbcc.org/cbbc/media/cbbc\\_media/One-Belt-One-Road-main-body.pdf](http://www.cbcc.org/cbbc/media/cbbc_media/One-Belt-One-Road-main-body.pdf)





## Need for Investments

# *Investments in Infrastructure*



***Infrastructure development has the potential to\****

- *Promote growth*
- *Increase equity*
- *Reduce poverty*



***1% increase in road network may increase productivity by 0.5ppt\*\****

\* Calderon and Serven 2010.

\*\* Infrastructure Fedderke and Kaya (2013)

# ***Huge Global Investment Need***

Global infrastructure investment demand between 2015-30 is **\$90 trillion** (in constant 2010 dollars).

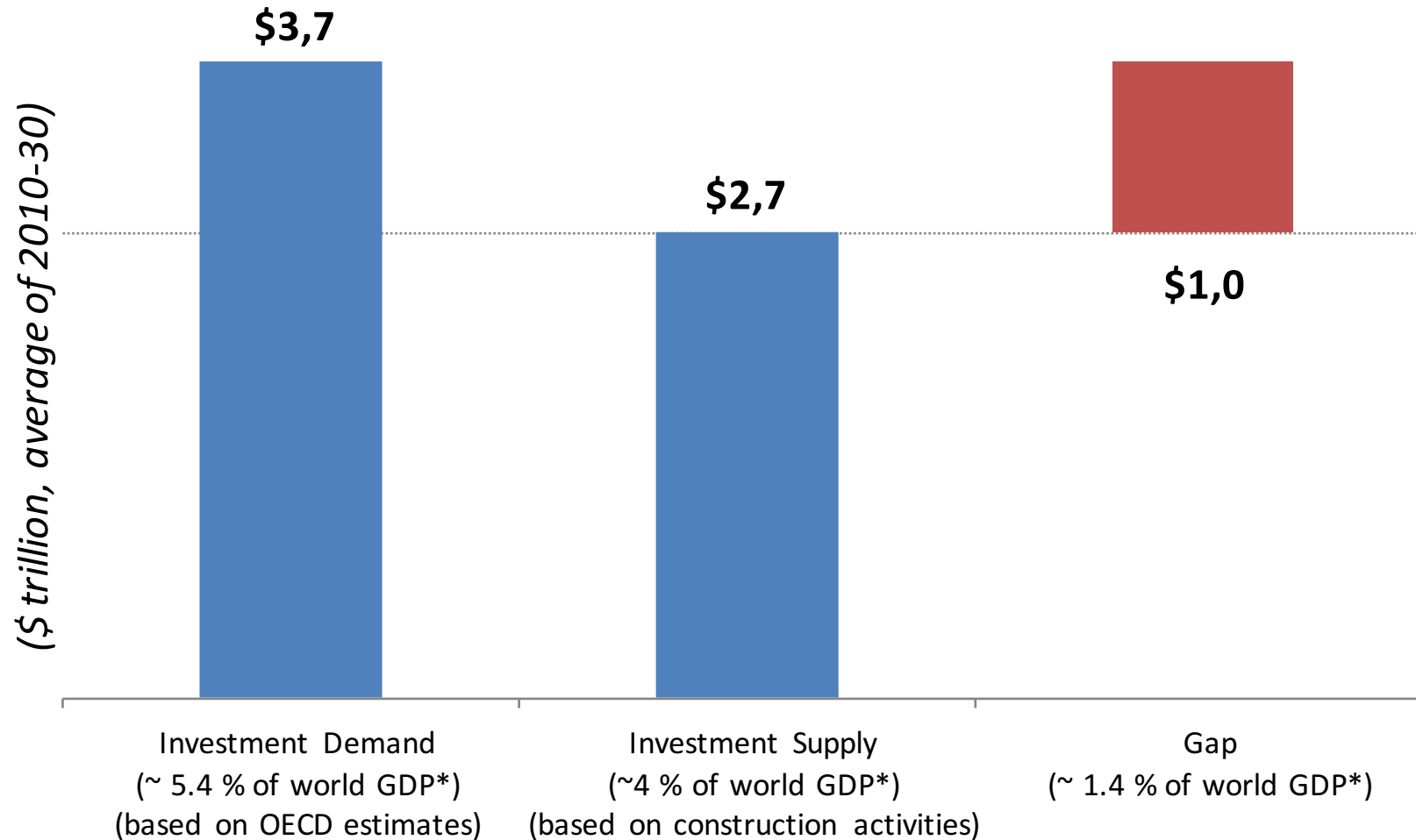
More than 50% from AMs  
for Brownfield Investment

(Renovation of Outdated &  
Inadequate Infrastructure)

Remainder from EMs for  
Greenfield Investments

(Demand Rising from Economic  
Growth & Urbanization)

# Annual Global Infrastructure Gap



**Source:** WEF, The Strategic Infrastructure Report

\*Using \$70 trillion as 2011 world GDP, non-PPP adjusted

## ***Key Infrastructure Endowments of the Region, Close to Global Averages***

	Electricity Consumption (per capita kWh) (2011)	Paved Roads (% of total roads) (latest data available)	# of Mobile-Cellular Subscriptions (per 100 people) (2013)	Depositors with Commercial Banks (per 1,000 adults) (2012)
Kazakhstan	4,893	88.5 (2009)	180.5	1,108.9
Kyrgyz Republic	1,642	91.1 (2001)	121.4	204.6
Mongolia	1,577	3.5 (2002)	124.2	3,829.1
Tajikistan	1,714	82.7 (1995)	91.8	640.3
Turkmenistan	2,444	81.2 (2001)	116.9	...
Uzbekistan	1,626	87.3 (2001)	74.3	908.7
<b>Global Average</b>	<b>3,030.9</b>	<b>64.9 (2009)</b>	<b>93</b>	<b>...</b>

**Source:** Framework of Inclusive Growth Indicators 2014, Asian Development Bank, World Bank, UN



## Need for a Level Business Field

# ***Investment Climate Requires Improvement***

*(Lower Ranking refers to Better Performance)*

	WEF- Global Competitiveness Index Rankings 2015-2016	WB - Ease of Doing Business -2016	Heritage Foundation Economic Freedom Index - 2016	Harvard Uni- ATLAS Economic Complexity Index 2014
Kazakhstan	42	41	68	80
Kyrgyz Republic	102	67	96	-
Mongolia	104	56	100	114
Tajikistan	-	132	149	-
Turkmenistan	-	-	174	103
Uzbekistan	-	87	166	86
<b>Total # of countries</b>	<b>140</b>	<b>189</b>	<b>178</b>	<b>124</b>

Source: Web sites of the related institutions

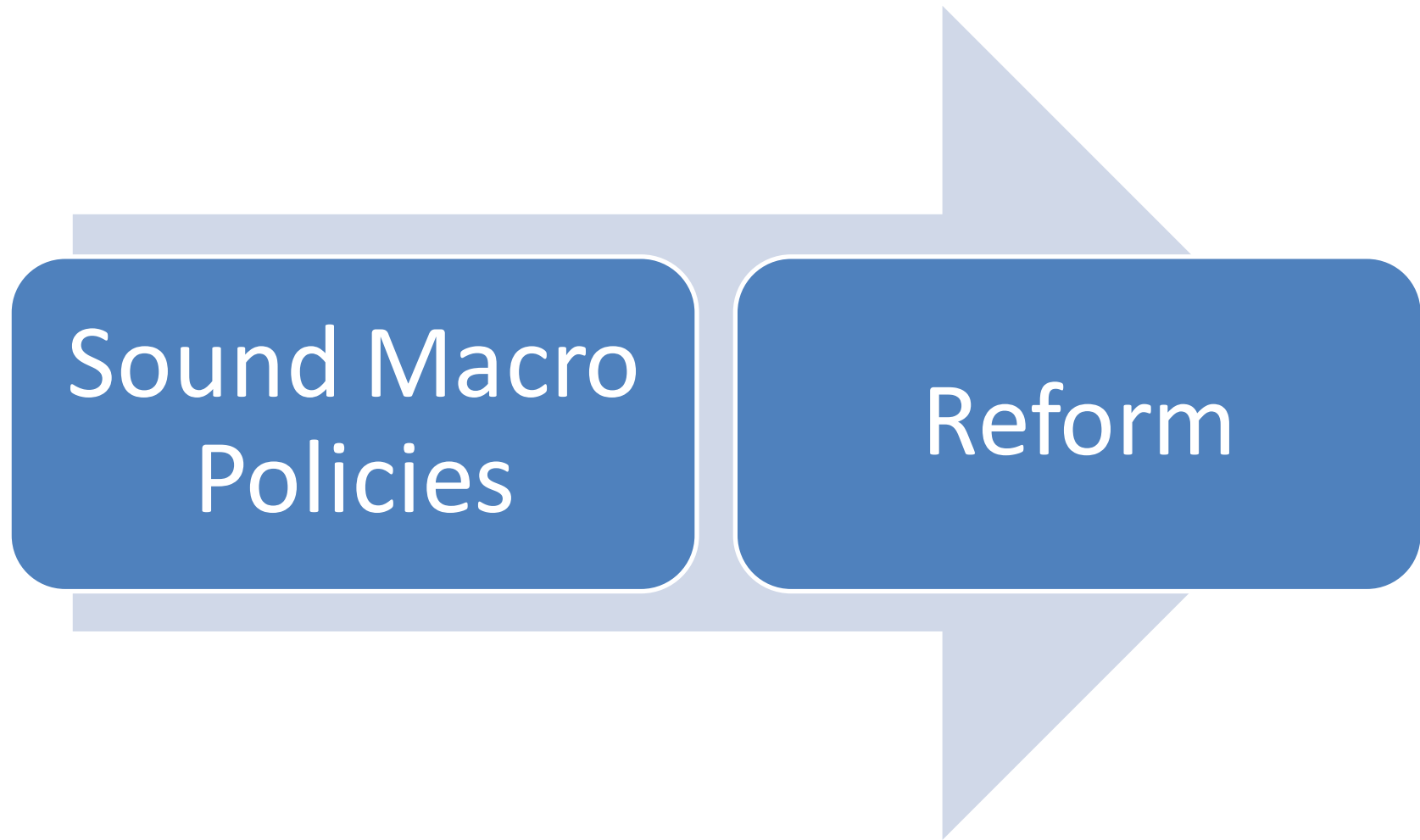
# *Development Indicators signal a Potential*

	Under-5 Mortality Rates (per 1,000 live births) (2015)	Average Years of Total Schooling of Youth (aged 15-24) (2010)	Employment to Population Ratio of Youth (aged 15-24) (2014)
Kazakhstan	14	11.0	46
Kyrgyz Republic	21	10.0	41
Mongolia	22	9.0	33
Tajikistan	45	9.4	40
Turkmenistan	51	...	36
Uzbekistan	39	...	36
Global Average	43	...	41

**Source:** Framework of Inclusive Growth Indicators 2014, Asian Development Bank, World Bank, UN.



# *The Way Out*





# Turkey's Reform Program

# *Turkey's Reform Program*

Sectoral  
Transformation  
(Micro Reforms)

Structural  
Reforms  
(Macro)

EU Accession  
Process



# Sectoral Transformation (Micro Reforms)

# ***Sectoral Transformation***



25

Transformation  
Programs



1,250

Micro Reforms

# ***Sectoral Transformation: 25 Programs***

Reducing Import Dependency	Commercialization in Priority Technology Areas	Tech. Develop't and Dom. Prod'n through Public Procurement	Domestic Resource Based Energy Production	Energy Efficiency Improvement
Enhancing Efficiency of Water Use in Agriculture	Healthcare Related Industries Structural Transformation	Health Tourism Improvement	Transformation from Transportation to Logistics	Enhancing Productivity In Manufacturing
Increasing Domestic Savings and Avoiding Waste	Istanbul International Financial Center	Rationalization of Public Expenditures	Public Revenue Quality Enhancement	Business and Investment Climate Improvement
Statistical Infrastructure Development	Family and Dynamic Population Structure Conservation	Improving Labor Market Effectiveness	Reducing Informal Economy	Basic and Occupational Skills Development
Attracting Qualified Human Resources	Healthy Life and Mobility	Institutional Capacity Improvement at Local	Competitiveness and Social Cohesion Enhancing Urban Regeneration	Improving the Infrastructure of International Cooperation for Development

# ***Sectoral Transformation***

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Reforms aimed at avoiding middle-income trap

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This is NOT a wish list; it has strong political and public ownership

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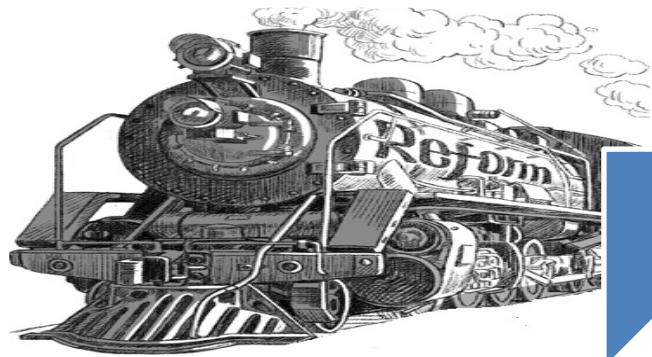
Programs are designed with the input of all relevant ministries

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The Economy Coordination Board to monitor progress

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Commitment to publish Regular Progress Reports



# Structural Reforms (Macro Reforms)



# ***Enhancing Investment Climate***

New Patent Law and  
R&D Supports

Reducing Red Tape

Specialized Courts

Incentives for Medium  
and High-Tech  
Production

# ***Education Reform***

Teachers' Academy

Education Quality  
Index

Vocational &  
Technical Training

School-Based  
Budgeting

Foreign Language  
Education

Life-Long Learning

# ***Labor Market Reforms***

Severance Pay

Part-time &  
Flex-Work

Private  
Employment  
Agencies

On-the-Job  
Training

Attracting  
Global Talent  
(Turquoise Card)

# ***Enhancing Transparency & Combatting Corruption***

Political Ethics Law

Public Procurement  
Law

Transparency of the  
finance of politics

Rule-Based Zoning  
Regulations

# ***Reforming Judicial System***

Specialization in  
Judiciary

Expert Witness  
Mechanism

Increasing the  
effectiveness of  
labor court

Putting Arbitration  
Centers into  
operation

Increasing the  
effectiveness of  
intermediate court  
of appeal

Restructuring  
Notary System

# ***Public Finance Reform***

Income Tax Law

Tax Procedures Code

Performance Based  
Budgeting

Expenditure Reform

# ***Public Administration Reform***

Public Personnel Reform

Productivity,  
Accountability &  
Transparency

Quality of Public Service

e-State

# ***EU Accession Process: The Main Agenda***

Enhancing Customs Union Agreement

Implementation of Readmission Agreement

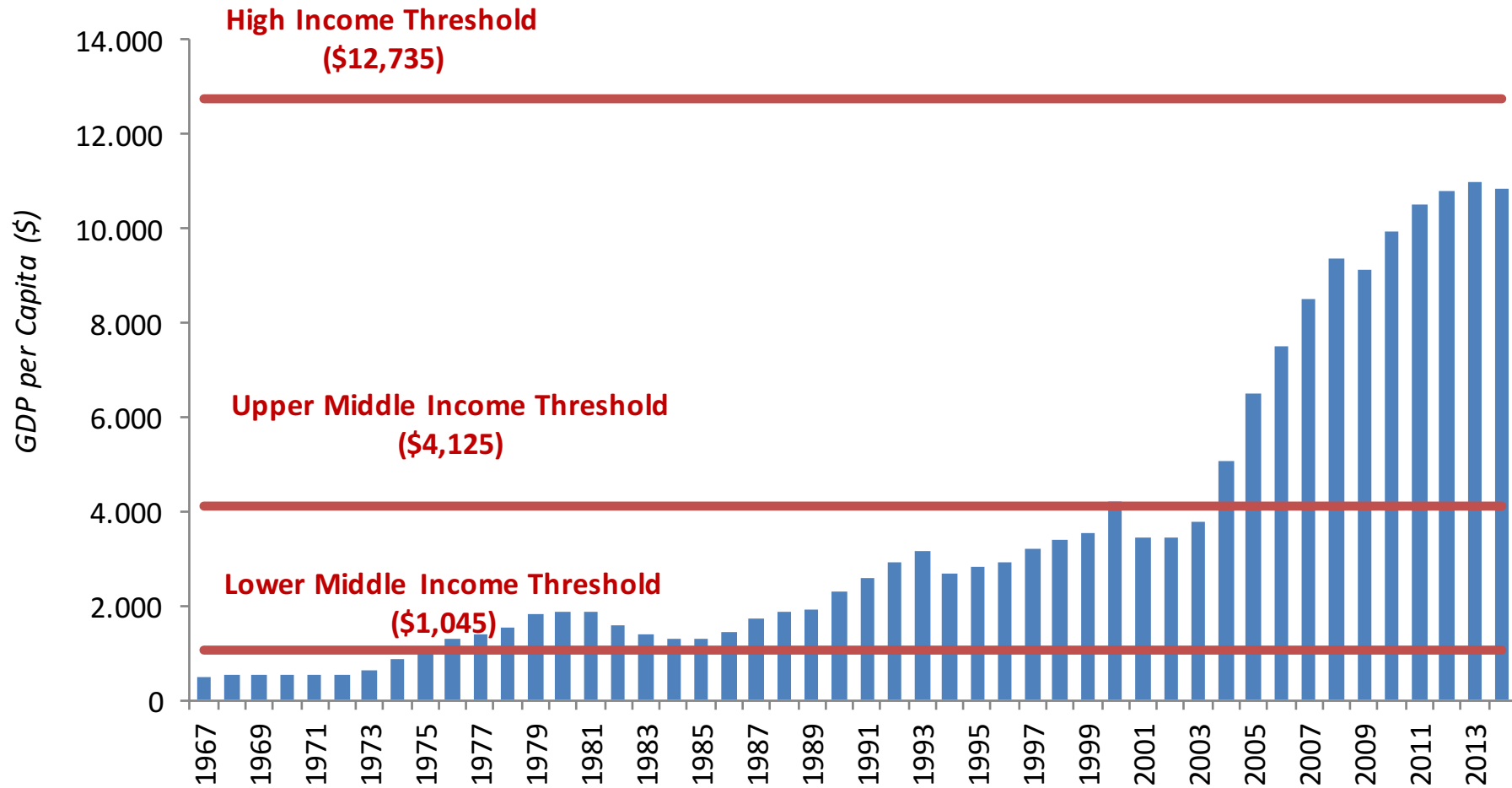
Finalizing the Efforts on Visa Exemption





## Long-Term Prospects

# Low Income to High Income



Source: World Bank (Atlas Method)

# ***Determinants of Long-Term Growth***

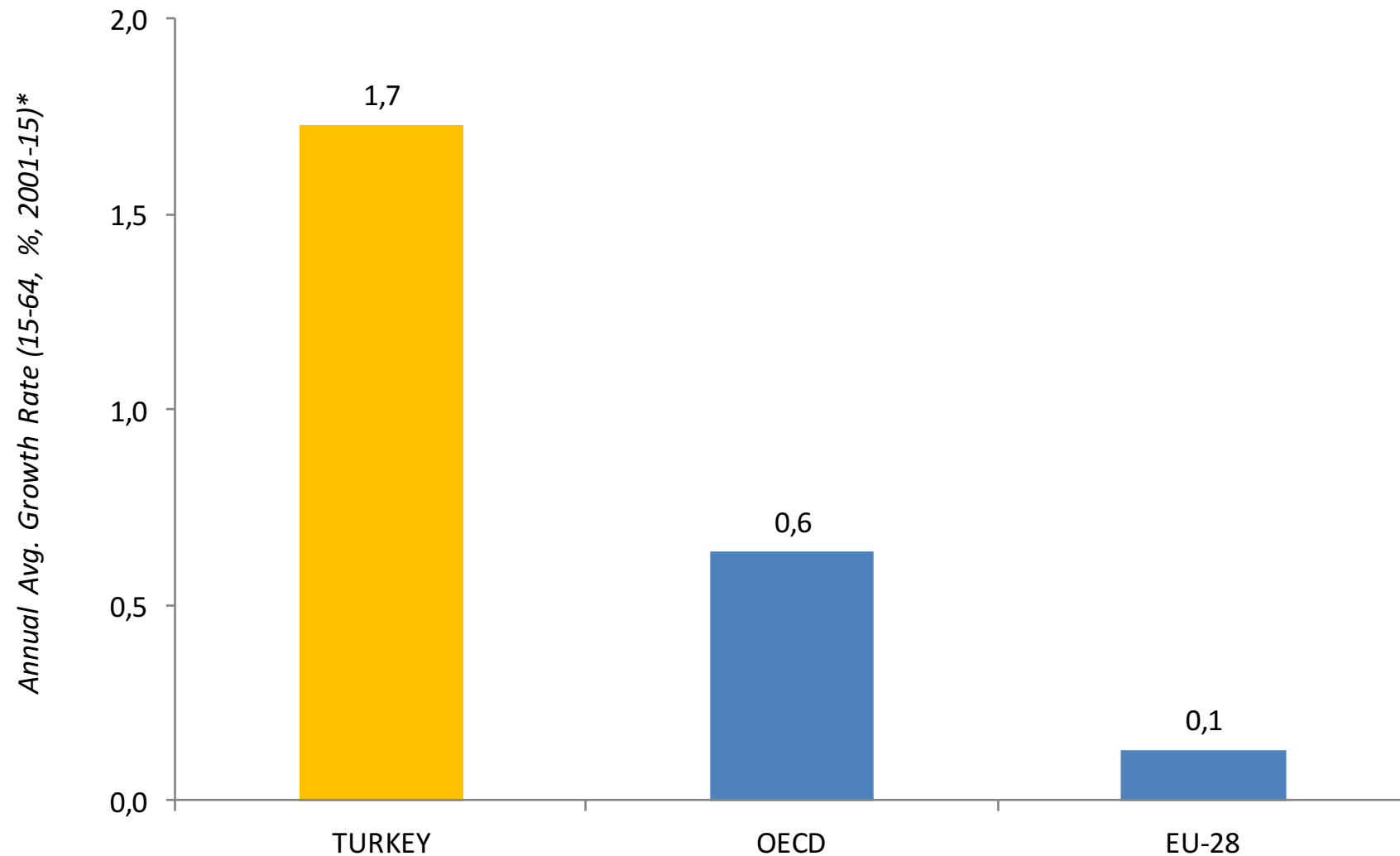


Quality of  
Institutions

Demographics

Productivity

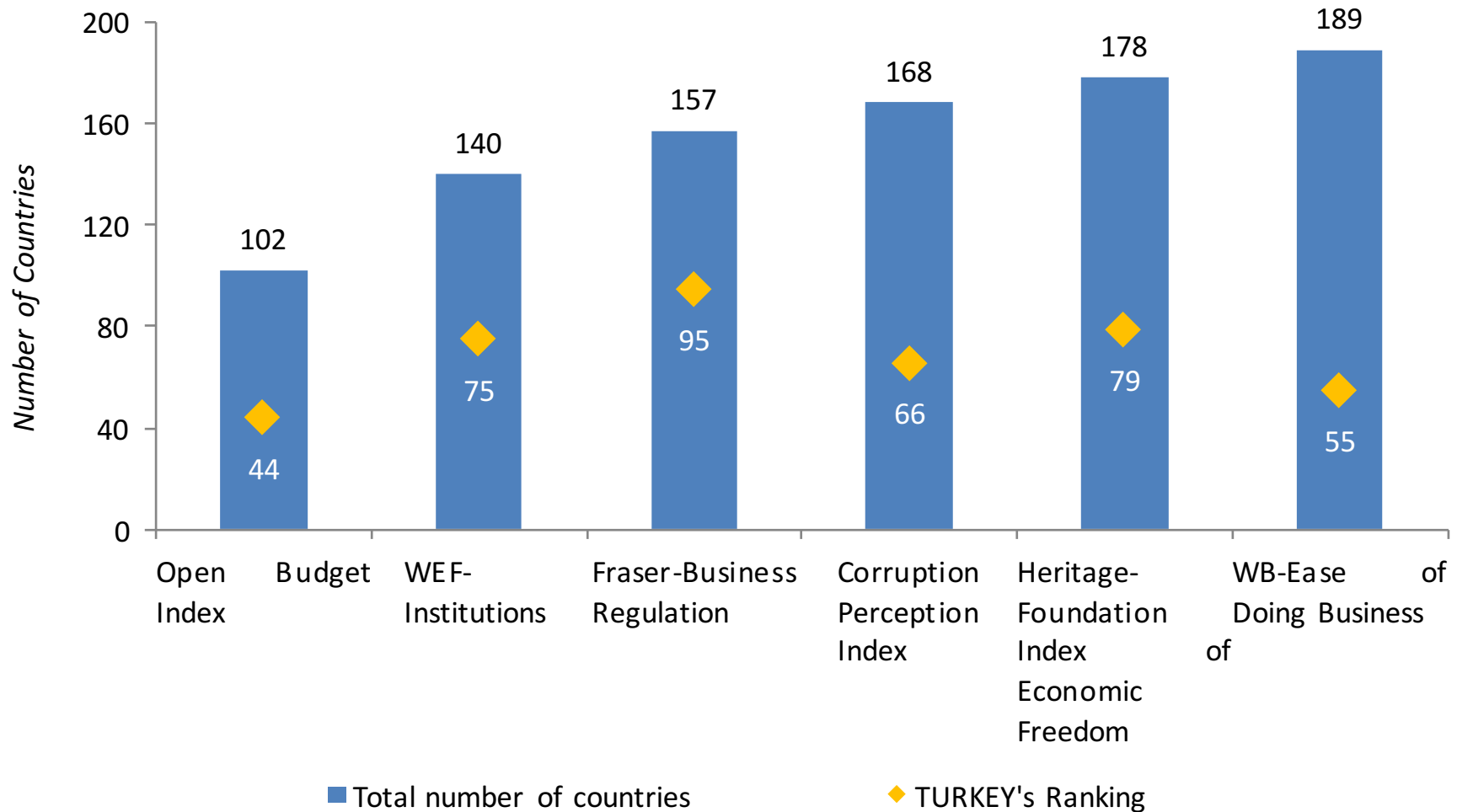
# Demographics: Working Age Population Growth



Source: OECD, EUROSTAT, TURKSTAT

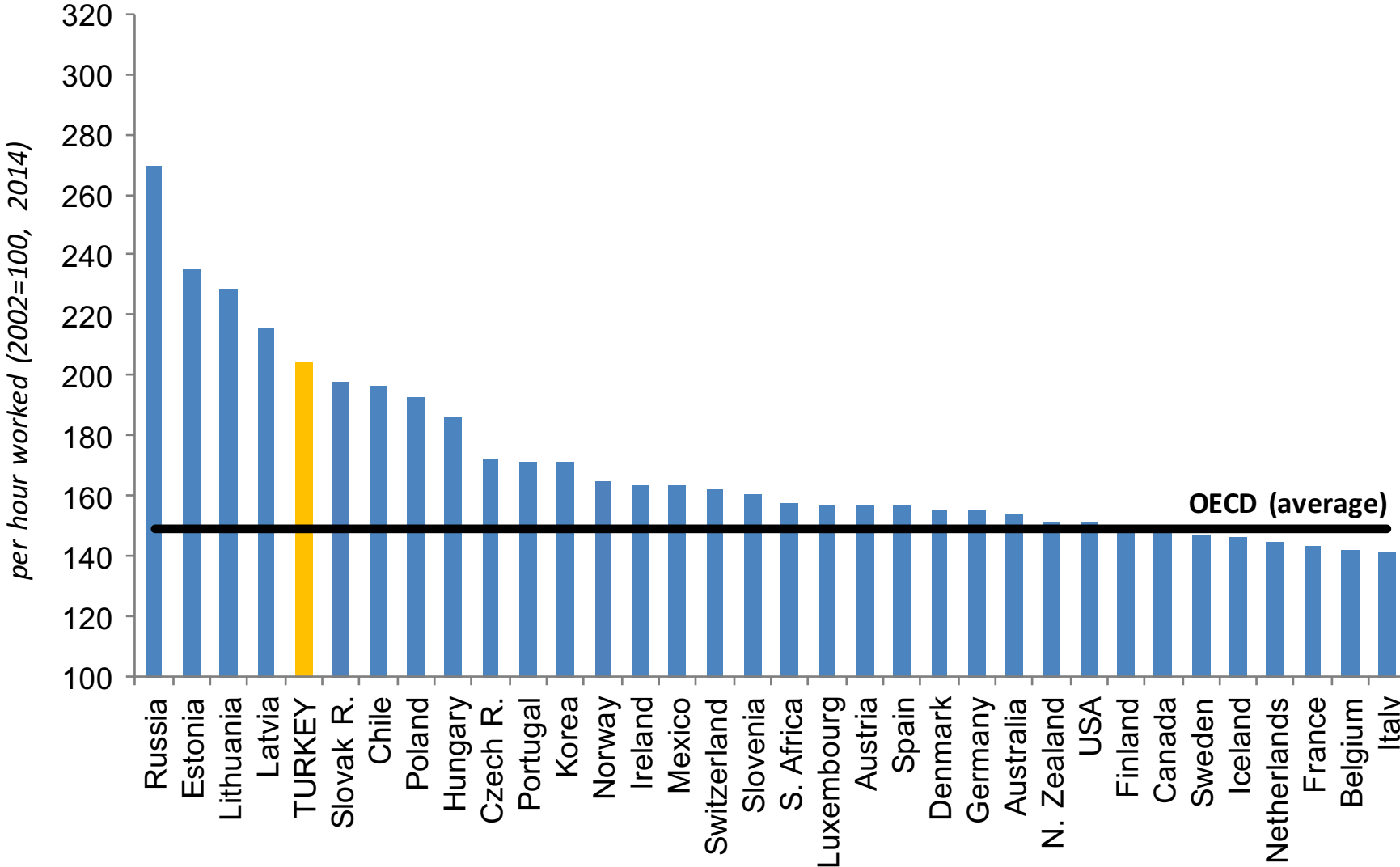
(\*) The latest data available

# Quality of Institutions

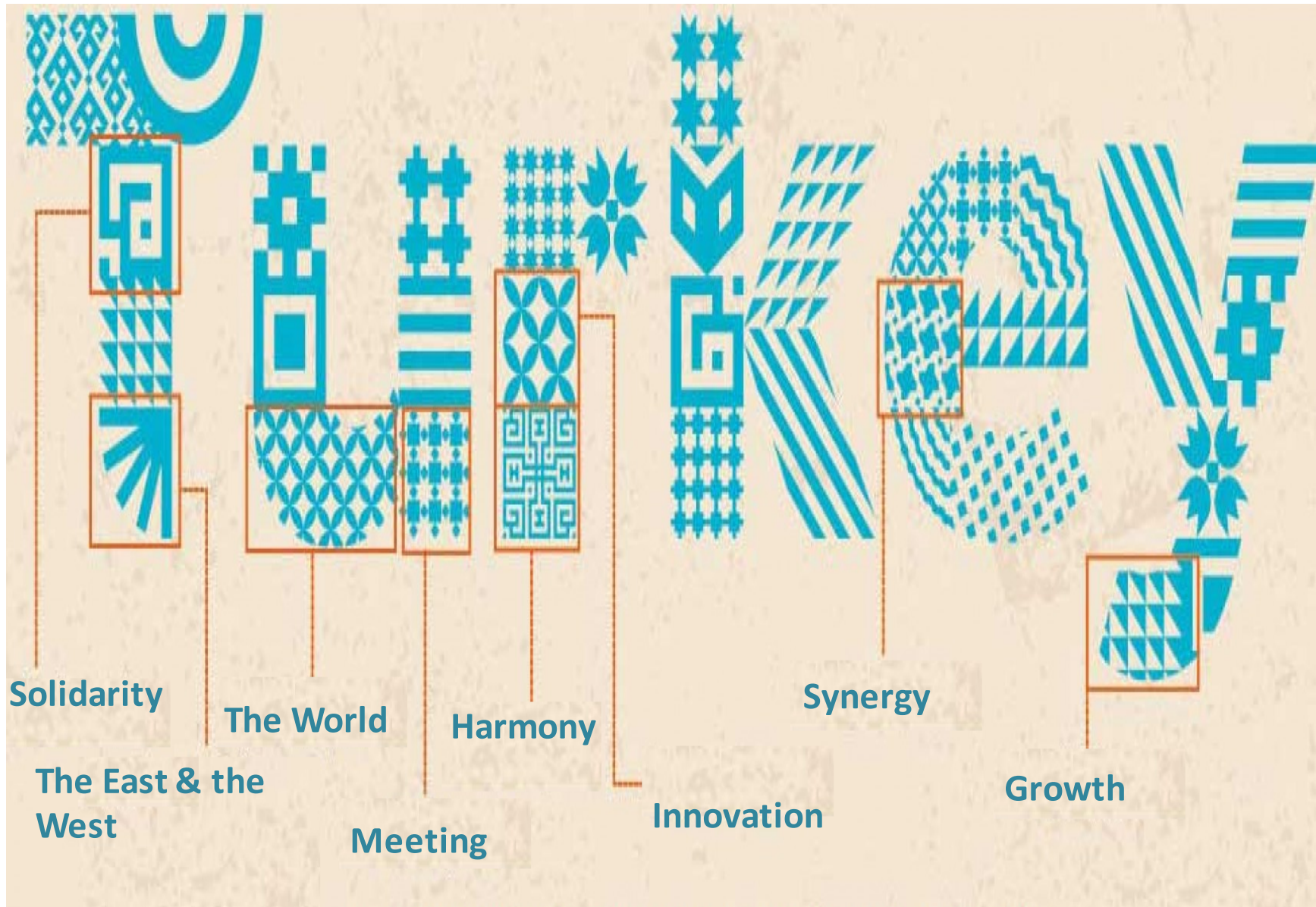


Source: World Bank, World Economic Forum, Fraser Institute, Heritage Foundation, Transparency International

# Productivity Index



Source: OECD



***THANK YOU...***