

Durmuş Yılmaz: The impacts of the current crisis on OIC member countries

Opening speech by Mr Durmuş Yılmaz, Governor of the Central Bank of the Republic of Turkey, in the Meeting of the Governors of the Central Banks and the Financial Authorities of the Organization of the Islamic Conference Member Countries, Istanbul, 3 October 2009.

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Governors of Central Banks and Financial Authorities of the Member Countries of the Organization of the Islamic Conference (OIC), Dear Guests,

I would like to express our pleasure to host this event and such distinguished participants here in Istanbul. Welcome to the meeting of the Governors of the Central Banks and the Financial Authorities of OIC member countries, which is the only organization that gathers Islamic world under one roof.

What makes this meeting more meaningful is that we are also celebrating the 40th anniversary of the Organization of the Islamic Conference and 25th anniversary of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC) this year. As the cradle of civilizations for centuries and the European capital of culture in 2010, Istanbul is an ideal venue for this meeting.

Dear Guests,

The current global financial and economic crisis, we have been experiencing since last year, has profound negative impacts on the economies of many countries in all parts of the world, reinforcing inspiration and need for restructuring the current order of the global community based on the principles of justice, equity, participation and peace. The efforts are in progress at the international level to build the institutional, legal and humanitarian infrastructures of the globalization that we are de-facto living during the last 20 years.

The Muslim World had the experience of building and maintaining a global order that embraced diversity and harmony over the regions spreading from Atlantic to Pacific and Central Asia to Central Africa from early 9th century till the end of 17th century where not only Muslims but also all members of the humanity experienced economic, social and political integration at a global scale and, unlike the turmoil and turbulence in the rest of the world, free trade and free movement of people prevailed without any discrimination against ethnic and religious identities.

As member countries of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC), our goal is to make a meaningful contribution to the idea of building a sustainable and stable global order to reach peace and prosperity that embraces differences between the civilizations as a source of richness and not a reason for clash, on the principles of justice, equity, participation and freedom for the humanity. The agreements we reach today will constitute the building blocks of our inspiration.

Distinguished Guests,

Since the last quarter of 2008, the impact of the global financial crisis on the world economies surfaced quite rapidly and destructively. The deterioration in risk perceptions destroyed banks' appetite to extend credit to the real sector. Sharp declines in asset prices and households' expectations led to a swift rise in precautionary savings. Conditions worsened rapidly in labor market and job losses have reached levels never seen since the Great Depression.

Unprecedented policy reactions to crisis taken by government and central banks worldwide have managed in stabilizing the financial conditions of banks and reduced funding pressures.

Thanks to the decline in counter-party and liquidity risks and the ease of tension in international markets, emerging market equities have rapidly gained ground, bond spreads have narrowed, and volatility in exchange rates came down. Commodity prices have rebounded from their recent low levels. Capacity utilization ratios and industrial production have globally recovered compared to the first quarter of 2009.

However, taking into account the loss of confidence and the size of the damage financial institutions and households have suffered, the fragility in the financial sector and reluctance in consumption and investment is likely to continue in the near future. Despite recent signs of revival in global economy, the pace of economic activities remains weak. Problems prevail in the credit markets. Unemployment rates keep rising. In summary, all indicators point to a recovery, which is slow, gradual and painful.

Distinguished Guests,

Global problems require global solutions. Quite often, changing an existing system is more difficult and expensive than forming a new one. It is obvious that this ongoing crisis is going to end sooner or later as did previous crisis. The lessons we derived from this experience will lead global decision makers to reconsider their policies. We have already started to observe critical and permanent changes in global financial order. The future of the financial system will be in a much better shape with a pre-emptive approach. The coordination is especially needed in terms of better regulation and supervision of financial market instruments.

In order for the mission of the COMCEC and thus of the Organization of the Islamic Conference to be successful, it is necessary for the decision making mechanisms to acquire a more active and global dimension. The success of the economy policies of the Islamic countries under the roof of the COMCEC depends on the formation of measures to increase trust and establishment of a close cooperation in economic and commercial areas.

Annual meetings of the Governors of the Central Banks of the COMCEC countries will be very important in terms of catching up with the world's agenda and following the recent developments. Economic activities of the related countries will be supported the most by increasing the cooperation between the central banks of the COMCEC countries, enhancing the functioning of the active mechanisms of communication in international platforms and sharing the experiences.

The recovery of the economies of the Islamic countries will be fastened by increasing the exchange of information in the fields of economy, finance and banking among the member and observer countries' central banks and financial authorities. Sharing the experiences of related countries that spread in a vast geography on financial policies and central banking is invaluable for all of us.

In conclusion, I would like to thank once again the staff of the SESRIC and the Central Bank of Turkey for their efforts during the preparation of the meeting, and all the participants who have contributed to the meeting with their scientific works and valuable experiences. Hoping for a successful meeting, I once again would like to say welcome.