

Welcome Speech of H.E. Prof. Savaş Alpay, Director General of SESRIC
At the Opening Ceremony of
The International Forum on Financial Systems
“Sustainable Finance for Sustainable Development”

WoW Convention Centre - Istanbul, Republic of Turkey 11-12 September 2013

Your Excellency, President Abdullah Gül, President of the Republic of Turkey,
Your Excellency, Ali Babacan, Deputy Prime Minister, Republic of Turkey,
Your Excellency, Dr. Ahmed M. Ali, President, IDB Group
Honourable Guests,
Distinguished Participants,
Ladies and Gentlemen,

It is a distinct honour for me to address this august gathering and distinguished audience on the occasion of the Presidential Inauguration of the International Forum on Financial Systems.

We have the honour, at SESRIC, to co-organize this important Forum under the auspices of the Presidency of the Republic of Turkey and in collaboration with the Islamic Development Bank Group (IDB), Participation Banks Association of Turkey (TKBB), Borsa İstanbul, and the Association of Independent Industrialist and Businessmen of Turkey (MÜSİAD).

At the outset, I would like to welcome you all to Istanbul and thank you for accepting our invitation and designating these two days from your valuable time to attend, participate and contribute to the debate on the theme of this Forum “Sustainable Finance for Sustainable Development”.

I would like also to extend my deep thanks and appreciations to H.E. President Abdullah Gül, President of the Republic of Turkey, the host country of our Centre, for the great deal of support and encouragement he gave us in organizing this important international event on a subject which is of immediate interest and concern to all countries around the globe. My thanks and appreciations are also extended to our co-organizers (IDB, TKBB, Borsa İstanbul and MÜSİAD) for their continuous support and efforts they made to ensure the success of the Forum.

Distinguished Participants,
Ladies and Gentlemen,

The role of financial system and institutions in the world economy has changed dramatically, particularly after 1970s, where financial institutions became larger and started to take on more risk – at great cost to society. Institutional change has outpaced regulatory adjustment; the financial system has gone naturally global while the regulatory system remained largely national. As a result, the financial industry is argued to have modestly contributed to the socio-economic development, while creating no spin-offs into the real economy, hardly any jobs and distorting severely the distribution of income and wealth. The deviation from the original role of the financial system and severe misallocation of financial resources, have brought about crises that cast doubts on its role towards sustainable development.

The fundamental flaws in the global financial system have perplexed everybody when they could no longer be kept secret after the latest financial crisis of 2008-2009. In the last decade, the conventional financial system in its entirety has turned into a quick profit engine and, as such, its fall has become also sudden, dragging

down together everything else as a house of cards. Now that these flaws cannot be hidden anymore, the biggest challenge is how to fix them and generate a financial system that serves the real economy and fosters sustainable development through non-imaginary transactions.

As we all know, the latest global financial crisis has brought to the forefront wide ranging issues concerning the stability and soundness of the global financial system. The crisis has prompted an extensive global re-examination of the adequacy of the international financial architecture, the need for regulatory reform and the search for a more sustainable solution which leads to a more equitable, stable and sustainable financial system. In fact, there is currently a growing global demand for a new economic and financial system.

As you may recall, there was almost international consensus, during the early phase of the crisis, on the need to work out measures for restructuring the international financial architecture. Many voices have even called for rethinking of other alternative financial systems. A financial system based on Islamic principles was among these alternatives, and it was widely argued that such a system could avoid the fundamental problems and shortcomings of the conventional financial system that led the world into crisis.

However, so far, no strong action has been taken towards reforming the global financial system. It is still widely argued that the latest reforms which have been made in the aftermath of the crisis (mostly financial regulations in the banking sector) did not go far enough and that there is still an increasing risk of another global financial crisis. It seems that these reforms alone are unlikely to eliminate all of the shortcomings, faults and weakness in the international financial system; a

situation which intensifies the debate on the origins of the crisis and re-emphasises the need for more changes and reforms in the international financial architecture. Without any doubt, leaving the system as is, will lead to repetition of the crisis in the future, and it seems that we would be talking more about “sustainable crisis” instead of sustainable development.

Distinguished Participants,
Ladies and Gentlemen,

Given this state of affairs, and recognizing the fact that while sustainability lies at the heart of the problem, and that there is a need for more comprehensive solutions instead of partial reform, this Forum will discuss and debate on various issues related to the potential for innovative robust and practically implementable alternative approaches. Among others, these issues include critical perspectives and new visions for creating a more equitable and sustainable financial system, global financial architecture and the prospects and challenges for alternative financial systems, such as prospects for a more risk-and-reward-sharing financial system, and capital markets and alternative business models.

I am confident that the deliberations and discussions you will conduct during these two days of the Forum will no doubt contribute significantly to the on-going debate on the role of financial system in achieving sustainable development or as the theme of the Forum indicates “sustainable finance for sustainable development”.

I wish you all a great success in your deliberations. Thank you for your kind attention.