Statement by the President (Mr.Murat Ulus) of the ECO Trade and Development Bank
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Honourable Chairman
Honourable Secretary General
Distinguished Delegates
Excellencies
Ladies and Gentlemen

It is a great privilege for me to speak at this Planning Council of the Economic Cooperation Organization (ECO). I would like to convey my sincere thanks and gratitude to the Government of Republic of Turkey for their warm welcome and generous hospitality and excellent arrangements made for this meeting by the host authorities and the ECO Secretariat.

Today, I would like to share with you some assessments with regard to the world economy, economic situation in the ECO region and recent developments in financial sector. Also I would like to give you brief information about our activities.

Excellencies,

Over the past two years, policy makers have made great efforts to mitigate the damage being inflicted by the global financial and economic crisis. However, many sectors such as finance, automotive, textile, transportation, construction and tourism have been severely hit by the global turmoil. Overall, fulfillment of certain socio-economic targets set before the crisis such as achievement of Millenium Develoment Goals (MDGs) by 2015, has now became practically impossible as their realization would most likely be delayed.

Neverthless, a greater sense of global normalization have started to show signs since second half of 2009. The global economy is expected to grow by 3.9 percent in 2010 and 4.3 percent in 2011, having contracted by 0.8 percent in 2009. The volume of international trade is expected to increase by about 5.5 per cent in current year, only offsetting about half of its decline in 2009. It should be underlined that the global balanced and sustained growth remains fragile. The resurgence in economic activity is being mainly led by the Asian economies. Elsewhere economies are recovering modestly. There is an increasingly pressing need for wise and prudent fiscal policies, particulary on debt management. I believe that the two most important indicators that would determine the sustained future global recovery is growth after phasing out expansionary policies and implementing strong structural reforms that create jobs.

Excellencies,

Financial crises are inevitable part of the business cycle. Indeed, once-in-a-lifetime event seems to happen every five to 10 years. It would be misguided to expect to eliminate them completely and assume that 'this time it's different'. However, we do have a responsibility to learn from them and remain vigilant in order to reduce their negative impact and improve resilience. When we look at the combined experience of past two decades and the current global crisis, we may conclude that good macroeconomic policies pay. It is also clear that the basic growth models depending on external demand and the model of dependence on commodities have been challenged. There is no doubt that the public sector would play an essential role in addressing these challenges. However any public policy response, without raising moral hazard problems, has to stabilize the short-term situation while accounting for long-term costs.

Excellencies,

The crisis is also affecting the economies of the ECO region substantially. However its impact on each member varies according to their dependence to external demand, reduction in their production and export performances. The elevated unemployment rate in the region surged to 13.2 percent in 2009. The total trade volume of the ECO countries dropped by about 35 percent. In 2010, despite the expected recovery in commodity prices and greater demand from trade partners of ECO countries, the trade volume of the region would still remain below its pre-crisis level.

Overall, the economic performance of the regional economies in 2010 will be closely related to international macroeconomic developments. The natural resources and demographic structure of the region are potential assets for economic growth. Realizing their potential requires addressing the structural challenges. The sectors which have trade potential and are labor intensive should be supported. We expect that the coming years would be recovery period for the economies of the region.

Excellencies,

It is clear that the global crisis, with its historic dimensions, would have a lasting impact on the world economy and on banks. Between July 2007 and March 2009, the equity prices of global banks fell by 75 percent. That is a loss of market capitalisation of around US$ 5 trillion. Governments around the globe have had to intervene to prevent collapse of the financial system. The major central banks have promptly and forcefully responded to the crisis with broad measures. Liquidity issues were adressed and interest rates have been reduced to very low levels by historical standards. More generally, they have helped to restore confidence by reducing uncertainty. However, many advanced economies continue to struggle with repairing and reforming their financial sectors.

The crisis revealed weaknesses and gaps in the regulation and supervision of financial institutions and financial markets. In this respect, work at the international level to redesign the global financial system is ongoing at the Financial Stability Board (FSB), the G20 and the Basel Committee on Banking Supervision. Neverthless, the general principles and global treatments must take into consideration national differences. We must find a new equilibrium. A financial system that truly supports the real economy, encouraging a flow of balanced credit based on the fundamental pillars of honesty, transparency and predictability.

Excellencies,

The direct impact of the global crisis on the banking sector in the ECO region has been relatively modest because of its less exposure to the international credit markets and non-participation in risky activities in the toxic assets and derivatives markets. Although credit growth has slowed and non-performing loans increased relatively.

In order to secure financial sector stability, the relevant regional authorities have taken a proactive approach to reform the financial sector and ease the effects of the crisis.

It is imperative to improve the regional capital markets and financial network. However, it should be underlined that markets need rules, constraints and careful monitoring to capture not only individual risks but system-wide risks as well. These should be maintained for reducing the risk of spillover from financial sector to the real economy.

Excellencies, Distinguished Guests,

I would also like to provide some information about our activities. We are extending credit lines to financial intermediaries for onward lending to SMEs and financing trade in the member states. So far we have selected three FIs from each member state for this purpose. We have provided financing to more than 300 SMEs, mainly in manufacturing, agriculture and construction sectors. Through Trade Finance Facility, we have extended credit lines to 4 FIs in each member state. With this facility, we are supporting traders of the member countries. We are also actively providing finance for feasible projects. Till now the Bank has approved financing amounting to US $ 535 million for various operations /projects. According to our Business Plan, for project financing we are giving priority to infrastructure, manufacturing, transportation, telecommunication and energy sectors.

I would also like to inform you that our representative offices in Iran and Pakistan are now fully operational.

We have also started to cooperate with respective international financial institutions. In this respect, we have signed an MoU with IDB Group to undertake joint operations in common member states. The Bank is in the process of having similar arrangements with other international organizations.

In short, the Bank is well on its way to further intensify its operations. At this point, I would like to underline the importance of accession of new members to the Bank. This would certainly signify a major breakthrough in the Bank's aim to become the region's premier development financial institution.

Excellencies, Distinguished Guests,

Let me conclude by saying that major economic changes are taking place on global level. The coming years would determine the transformation and address the failings in regulation, economic policy, and governance that lay behind the crisis. It is time for inclusive knowledge-driven development that promotes innovation, use of technology, new business models that bring job-creation and improved productivity. Therefore, regional countries need to adopt themselves to these transformational processes. The challenges are great. But proactive regional approach is essential for dealing with these threats. The rewards would be achieved by the implementing regional policies that link regional potentials and improve networking of businesses. In this respect, the Bank will do its utmost to support your efforts. I look forward to working with all ECO member states to strengthen our role in the region.

Thank you for your kind attention.