

The 17th RPC Meeting

Statement by H.E. Mr. Lutfi Elvan,
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the
Republic of Turkey

(ECO Secretariat, Tehran, 19 February, 2007)

Mr. Chairman,
Your Excellency, Secretary General of ECO,
Distinguished Delegates,
Dear Brothers and Sisters,

At the outset, I would like to express my sincere thanks and appreciation to the Government of the Islamic Republic of Iran for the warm welcome and hospitality extended to my delegation since our arrival in this beautiful city of Tehran. I would also like to congratulate you Mr. Chairman, for your election to the chairmanship of the 17th Regional Planning Council Meeting.

Seizing this opportunity, I would like to congratulate H.E. Secretary General, Ambassador Mr. Khurshid Anwar for his appointment as Secretary General of ECO and wish him every success in this important assignment. We are sure that with his skills and vast experience, ECO will gain a new momentum in the years ahead. While praising all the work done by previous ECO Secretary Generals and staff, I wish to express our wishes that the new period will pave the way for even more solid and targeted cooperation. Our profound thanks and appreciations also go to His Excellency Mr. Anwar and his able staff for the excellent preparations made for this meeting.

Before continuing with other subjects, I wish to put on record our condolences to the brotherly people of Turkmenistan for the sudden demise of Turkmenbaşy Saparmurad Niyazov. His services will be remembered in his country as well as in the region. Seizing this opportunity, I wish to express our congratulations to H.E. Gurbanguly Berdimuhammedov for his election as new President of Turkmenistan. In this new term, I am sure that Turkmenistan will continue to actively contribute to ECO affairs.

Excellencies,
Distinguished delegates,

Recent years have witnessed resurgence of regionalism in world politics. Old regional organizations have been revived, new organizations are formed and the continued calls for strengthened regional arrangements have been hotly debated. Although the effects of globalization is strongly felt in our economic and social lives and our international relations, regional arrangements have also gained a significant momentum in recent years. In parallel to this, Regional Trade Agreements (RTAs) continue to proliferate. The WTO estimates that over 300 RTAs will be in effect by 2007.

Proponents of RTAs argue that they help nations gradually to work towards global free trade by allowing countries to increase their level of competition and give domestic industries time to adjust. In addition, RTAs can be valuable arenas for tackling volatile trade issues such as agricultural subsidies and trade in services. Although there

are some concerns about RTAs, sound regional trade arrangements have proved to be useful so far.

It is often said that the lowest level of integration is realized by trade preferences, or partial scope agreements, which liberalize trade in specific commodities or sectors. As ECO, unfortunately we could not even yet come to that level. We are hopeful that early and effective implementation of ECOTA will be a step to that end.

Excellencies,
Distinguished delegates,

ECO region has a great potential with its vast geography of 8 million sq km having substantial economic resources, strategic position and considerable human resources potential. In recent years, there are positive signs towards the realization of this potential as evident from the region's average economic growth of 7,5 percent in 2005. As indicated in the report of the Secretariat, continued high oil and non-oil commodity prices, favorable global environment and generally sound economic policies underpin this strong performance in the region.

Although there are conjectural elements in this success, we believe that this positive trend will continue. Here, we should also admit that the role of ECO's activities in this recent success is not yet so visible. In ECO, we should be able to introduce projects and programmes continuously to contribute to the regions economic performance. In this context, we may introduce project and programme cycle approaches in our activities to make them more streamlined and result-oriented.

ECO is an organization of 10 countries. But what we see in reality, for holding most of the events even reaching the quorum (6 participating country for most of the events) becomes a problem. For exploiting the potential of the region, we need stronger involvement of all member countries. On the other hand, we should also be able to implement projects on our agenda expeditiously and effectively to attract interest of our member countries. Dynamism, concentrating on a small number of feasible projects and programmes, strong ownership, capacity enhancement in our related institutions and the Secretariat and finding resources for the envisaged objectives are the keys to ECO's success given the limited resources we have at present.

Following the entry into force of the Articles of Agreement of the Bank on August 03, 2005 all three signatory member states appointed their Governors, Directors and Alternates. The Board of Governors held two meetings in Ankara in 2006 and took key decisions to make the Bank operational in 2007. In this respect, the Board of Governors appointed the President of the Bank and equipped the President and the Board of Directors with full authority to take all necessary actions towards making the Bank operational as early as possible. The Headquarters building has already been rented in Istanbul and the Bank started its functioning. We are sure that operationalization of ECO Trade and Development Bank with an authorized capital of 1 billion SDR will be one of the salient steps in ECO's history both for attracting more interest in our organization and implementing concrete projects. Furthermore I would like to point out that the Articles of Agreement of the ECO Trade and Development Bank is also open for membership of other ECO countries. I advise the other ECO member states to consider becoming member of the Bank.

Regarding trade, after the actual implementation of ECOTA, we expect a substantial trade increase in the ECO region. Here, let me inform this August House that ratification of the Agreement is at final stages in the Turkish Grand National Assembly of Turkey. We hope that ratification will be realized soon. In this context, I would like to reiterate our call on the member states to sign and ratify the ECOTA as soon as possible. With regard to the Fast Track Approach, Turkey is willing to sign the Draft Protocol as it was agreed upon at the Second High Level Expert Group meeting if the pending issues are resolved.

Here, I would also like to inform you that in recent years, we have witnessed a sharp increase in Turkey's trade volume with ECO countries. Our imports from ECO countries last year has increased around 60 percent and while our exports have increased around 20 percent. Increase in imports was partially due to but not limited with high petroleum and natural gas prices.

I also have the honor to inform the RPC that my country has already allocated 150,000 USD for the second phase of ECO-ITC project. This year, we intend to start the project with buyers and sellers meetings to be held in Turkey in construction and food sectors.

Regarding ECO-CCI, I would like to reiterate our suggestion for early establishment of its permanent secretariat and strengthening its institutional capacity, so that an efficient cooperation among our private sector may start as soon as possible.

Excellencies,
Distinguished delegates,

Regarding energy cooperation, Turkey welcomes that the feasibility study on interconnection and parallel functioning of power systems of ECO Member States is underway. In this context, the Consultant team who visited Turkey had negotiations with the concerned authorities and studied technical data. Here, I would also like to emphasize new and renewable energy sources as an important potential area for ECO energy cooperation.

We are happy that Transit Transport Framework Agreement (TTFA) has entered into force. This comprehensive agreement will facilitate transit transport in the region and help removal of obstacles on the way.

I would like to thank Republic of Azerbaijan for its contribution to the implementation of TTFA through its coordination mission. Here, I would like to inform the august body that Turkey is at the final stage of the ratification process.

As we are all aware, there are important studies going on in international fora, including UN Regional Commissions, EU etc. on the development of Asian-Europe land transport linkages. ECO member states are at the epi-center of those linkages. In that respect, smooth running of the container and passenger trains in the Trans-Asian Mainline is crucial for the member states especially the landlocked ones, in terms of their earnings from the transit trade and opening up to new markets. Therefore, we are hopeful that concerned countries would actively participate in the meetings and events to be held for finding solutions to the problems faced in the running of these trains.

Excellencies,
Distinguished delegates,

We are happy to notice a substantial improvement in ECO agricultural cooperation in recent years. ECO Regional Programme for Food Security (ECO-RPFS) has already been finalized. As a part of the programme, progress in the implementation of ECO-FAO Technical Cooperation Programme amounting to 400.000 USD for enhancing seed supply in the ECO region is quite satisfactory.

As we all know, IDB has allocated a total sum of 2.5 million USD for 10 national projects under the ECO Regional Programme for Food Security. This is very good step towards making ECO an project mediation agency, but I regret to say that the progress realized by our national institutions in utilization of IDB fund is not so promising. Turkey will organize the Donor Conference this year in collaboration with all member countries, ECO Secretariat, FAO. But before the Donors conference, there are a number of actions need to be taken by our national institutions, ECO Secretariat and FAO. First of all, we need capacity enhancement in our national institutions for utilization of international funds. If we can utilize international funds diligently in a way to realize success stories, the donors will allocate more and more resources for our projects. As frequently put forth, if you have good projects and a good team to implement them, finding resources and funding is not a big problem. In this framework, I suggest that the Secretariat compile a detailed list of possible international donors in this area and gather information on procedures for using them and circulate it among the member countries. That can be also done in all sectors of ECO cooperation respectively.

In relation to the activities for industrial cooperation, we appreciate that plans of action on SMEs, Industrial Property Rights, ECO Technology Transfer (ETT) Center has been adopted and put into practice. We also hope that RISCAM will be established soon.

Mr. Chairman,
Distinguished Delegates,

We welcome the establishment of Human Resources and Sustainable Development Directorate. 2006 was a fruitful initial year for the Directorate with organization of important events on bird flu, earthquake safety in schools, Implementation of Millennium Development Goals (MDGs), 1st Meetings of Ministers of Interior of ECO which all address common concerns of ECO member countries.

We notice that ECO region is doing well in many MDGs while lagging behind in some others. To reach the MDGs by 2015, we need to enhance our cooperation with WHO, UNICEF, FAO, UNDP, UNESCAP and develop regional programmes to that end.

Turkey attaches great importance to ECO- Drug Control and Coordination Unit (DCCU) and continues to support its activities. We welcome the allocation of, although modest, a specific budget for DCCU. In 2007, we are planning to organize 2 events in Turkish International Academy Against Anti-Narcotics and Organized Crimes (TADOC). We believe that for institutionalization of the DCCU, the Secretariat and all our member countries should strive harder for ensuring more international assistance to drug related activities in the region.

Mr. Chairman,
Distinguished Delegates,

As we all know, RPC is also a forum for exchanging our planning and economic policy experiences. In this respect, I would like to summarize recent developments in Turkish economy for your kind information.

Turkish economy has gained a sustainable growth structure since an adjustment program was put into practice in 2002. Including the first nine months of 2006, there has been successive GNP growths for 19 consecutive quarters. Average growth rate between 2003-2005 has been 7,8 percent.

In the first nine months of 2006, GDP growth rate was 5,6 percent. National income per capita (GDP) is expected to reach to 5.349 Dollar in 2006. As a result of tight monetary and fiscal discipline and putting all necessary reforms into practice rapidly, fight against inflation has been successfully brought off.

Consumer Price Index (CPI) has been decreased to single-digit inflation after 22 years by 9,3 percent in 2004, 7,7 percent in 2005. The CPI rate has stayed at one-digit in 2006 as well by 9,65 percent.

Export that was 36,1 billion dollars in 2002 has reached to 85,1 billion dollars in 2006. Foreign trade volume was 87,6 billion dollar in 2002 and realized as 190,3 billion dollars in 2005 by an increase of 117 percent. In 2006 foreign trade volume has increased to 222,1 billion dollars and it is estimated that the rate of foreign trade volume to national income will reach to 56 percent.

In January-November 2006 period there has been 49.042, million dollar capital inflow. Net foreign direct investments have reached to 17.294 million dollar and become to be able to cover 57,8 percent current account deficit. Through the 2005, the realized net FDI was 8.726 million dollar.

Fiscal discipline has been carried on resolutely. The rate of consolidated budget deficit to GDP was 15,2 percent in 2002 and it decreased to 2 percent by the end of 2005.

As a consequence of high privatization incomes and declining interest expenditures due to the decreasing interest rates, the ratio of public sector borrowing requirement to GNP which was 12,7 percent in 2002 reverted to surplus for the first time in 2005. (0,4 percent)

The ratio of net public sector debt stock to GNP decreased to 55,3 percent in 2005 and this ratio is computed as 48,7 percent for the first nine months of 2006.

For the forthcoming period, basic priority of Turkey's macroeconomic policies is to make economic growth sustainable and thus maintain convergence of per capita income to EU average. In this regard, providing price stability, decreasing the ratios of public deficit and public debt stock to GDP and maintaining the structural reforms will take basic places among the pursued policies. It is necessary to continue decreasing public weight in economy by speeding up privatization process, to strengthen regulation and supervision functions of regulatory and supervisory institutions, to promote private entrepreneurship and to remove legal and economical ambiguities that have negative effect on the market so as to empowering market economy and fostering competitive power of Turkish economy. In addition to these, the issues like decreasing the deficiencies and imbalances in the area of education and health, enhancing labor force quality, strengthening the relations between labor force market and education system and

reducing the inter-regional differences in terms of development have priority among economic and social policies.

Under these perspectives, let me briefly mention the main macroeconomic targets in 2007 Annual Program prepared by State Planning Organization (SPO). GDP growth rate is targeted to be 5 percent for 2007. CPI inflation is also targeted to be 4 percent in the same year by the Central Bank. In foreign trade, exports (fob) and imports (cif) are estimated to be 95 billion dollars and 150 billion dollars respectively. Under these projections, current account deficit is estimated to be 7,4 percent of GNP in 2007. On the other hand, primary surplus in public sector is targeted to be 6,5 percent of GNP for 2007.

Distinguished Delegates,
Dear Brothers and Sisters,

I would like to conclude my statement by expressing that we are ready to exchange our experiences in the management of the economy our Government would continue to support ECO activities and projects I wish you all the success and fruitful results in your deliberations at this meeting.

Thank you.

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