



“The Voice of Business in the Black Sea and Caspian”

**SPEECH BY AHMET ERENTOK
UBCCE FIRST VICE PRESIDENT & ATIB CHAIRMAN
FOR THE OCCASION OF
ICIE IX. REPORTING AND ELECTING ASSEMBLY
Vilnius, Lithuania
5 October 2009**

**“Economic cooperation between European and Asian countries in the
context of the global economic & financial crisis”**

Dear Presidents,
Distinguished participants,
Ladies and gentlemen,

It is a real pleasure for me to be among you today as the First Vice President of Union of Black Sea and Caspian Confederation of Enterprises (UBCCE) and the Chairman of Azerbaijan Turkey Business Association (ATIB). Therefore, I would first like to take this occasion to thank President Glukhikh for his kind invitation extended to UBCCE to participate in today’s and tomorrow’s important ICIE meetings.

As many of you know, the first steps of cooperation between UBCCE and ICIE were taken in last year’s ICIE Meetings in Yalta, Ukraine and our relations took a concrete form during the occasion of UBCCE General Assembly held in Istanbul in March when ICIE and UBCCE Presidents signed a MoU to further develop institutional relations between our organizations. With this occasion, let me express that, I sincerely believe that UBCCE and ICIE have a lot to gain from collaboration as we cover a common region with a high potential both within itself and with the international community.

We are all aware of Asia and Europe’s crucial and growing economic, political and cultural significance to each other - and to the world. Indeed, Europe and Asia represent three fifth of the world's population and produce half of global output.

**UBCCE Secretariat
Meşrutiyet Cad. No: 46 34420 Tepebaşı Istanbul Turkey
Tel. + 90 212 249 19 29 Fax + 90 212 292 53 75
e-Mail: info@ubcce.org
Web: www.ubcce.org**



“The Voice of Business in the Black Sea and Caspian”

It is true that globalization brings great opportunities for all, however it also makes us face great challenges. Effective global leadership requires action accompanied by more understanding and better coordination, and greater agreement between leaders on vision, which can only be achieved through considered dialogue.

Relations between Asia and Europe have a long history dating back to ancient times. This remarkable history is also a history of power struggle. Today, the relations between Asia and Europe are dominated by various regional actors, the EU on one side and ASEAN on the other. The form of relation between the two blocks have considerable effects on international balances. Processes like this, which are called “inter” or “trans-regionalism”, also have deep impact on the regional integration in the regions concerned, but more precisely in Asia. Inter-regionalism fosters a more open regionalism in Asia and has catalyzed further efforts to multilayered regional integration in this part of the globe.

In this turbulent period our challenging agenda is of course issued by the recent international financial crisis. Equally, though, climate change, sustainable development, energy security, social cohesion, and respect for labor rights are no less important issues that must be faced collectively by the international community, as well as in our respective domestic policies. The recent global financial crisis has accurately emphasized the need for a more comprehensive dialogue, deeper understanding and more substantive coordination amongst world leaders.

Now almost exactly one year on from the onset of the global crisis, as policymakers turn from firefighting to considering the next steps for recovery, a key question is whether there has been a severe but temporary setback to economic growth or a permanent adjustment in long-run projections. Compared with pre-crisis assessments for the economic growth outlook, this recession will cast a long shadow over prospects for the economies mostly influenced, mainly the Asian and Europe ones. The short-term shock is unlikely to change economic equilibrium, but arguably it will encourage more cautious reappraisals of the other determinant of long run growth, future productivity trends.

UBCCE Secretariat
Meşrutiyet Cad. No: 46 34420 Tepebaşı Istanbul Turkey
Tel. + 90 212 249 19 29 Fax + 90 212 292 53 75
e-Mail: info@ubcce.org
Web: www.ubcce.org



“The Voice of Business in the Black Sea and Caspian”

Despite the financial turmoil, it should be noted that in Europe and Central Asia, economic output has increased by 5.3 percent in 2008, down from 7.1 percent in 2007, though growth held up remarkably well during the first half of the year. First-half GDP growth in Russia (7.8 percent), Poland (6 percent), Turkey (5.8 percent), and Romania (8.8 percent) was grounded in strong domestic demand, along with higher oil prices and fiscal revenues for the region’s hydrocarbon exporters. But in 2009 and 2010 deteriorating external positions and new risks from the global banking crisis are likely to depress prospects for vulnerable countries, and the downside risks are substantial.

Notwithstanding that restoring of the total financial discipline is urgent for the eliminating of the adversely impacts of the global financial crisis, also we have to take into account that increased unemployment serves its challenging scope for the global and regional economy. If global business community and relevant governments will not be able to conduct steps in order to limit unemployment, the systematic content of the crisis will spread. In this stage, development of the small and medium enterprises (SME) seems very actual and unique tool to overcome unemployment problem. Also, the extension of the benchmark’s experience of the leading Asian and European economies on SME development to less-experienced post-soviet countries has special necessity.

With the world economy confronted with systemic financial risks, short-term attention is focused understandably and correctly under current circumstances, on dealing with the immediate crisis, minimizing risks, and reacting to rapidly evolving developments. Major risks concern the possibility of balance of payments and currency crises in individual countries which is a real risk at this stage for at least some developing countries. A collapse of the domestic banking system in selected developing countries of Europe and Asia is also a tenable possibility. Particularly for Europe, this pessimistic view reflects negative reassessments of the outlook for European industries, investment and jobs. It effectively assumes an accelerated withdrawal from some industries, in particular in the highest cost states. Moreover, although restructuring and the loss of basic industries should raise productivity for the remaining workforce, productivity assumptions for the future tend to be lower.

In the meantime, Asia is struggling to rebalance growth from external to domestic sources. The impact of the global crisis on Asian economies has been



“The Voice of Business in the Black Sea and Caspian”

surprisingly heavy. There were many reasons to expect Asia to be relatively shielded from the crisis: unlike Europe, the region was not heavily exposed to U.S. securitized assets, and improved macroeconomic fundamentals and with a few exceptions relatively sound bank and corporate balance sheets were expected to provide buffers. Nevertheless, since September 2008, the crisis has spread quickly to Asia and has dramatically affected its economies as well.

The global economic & financial crisis underscores the need for greater domestic and multilateral policy coordination. At the domestic level, macroeconomic and financial stability were generally treated separately. The former focused on preserving low and stable inflation as well as growth, the latter on firm-level supervision of the formal banking sector. Neither set of regional policymakers saw the wider implications of rising risks in the shadow financial sector, nor did they appreciate that economy-wide trends in credit growth, leverage, and house prices posed systemically costly tail risks. Across borders, the effectiveness of several prudential measures can be enhanced and it sometimes depends on adequate cross-country supervisory cooperation to avoid gaps, such as currency substitution, or switching from domestic lending in foreign currency to direct foreign credit. This cooperation will become increasingly vital as banking systems become more integrated. Particularly, in context of Asia-Europe’s economic cooperation and investment flow, coordination among host and home country regulators and monetary authorities will also be critical when it comes to liquidity and solvency support in case of a bust.

Concluding my words, I would like to express that these are unprecedented times that require relevant measures. In crisis we can also find opportunity if we make common cause in facing up to the global challenges of today. Asia and Europe should come together to address these challenges to the international community and find “win-win” solutions.

Thank you for your kind attention and let me use this opportunity to invite you all to the upcoming Third UBCCE Forum which is going to be held in Thessaloniki, Greece on November 12 which will be focusing on the new investment and trade opportunities in the Black Sea and Caspian Region in the post crisis era.

UBCCE Secretariat
Meşrutiyet Cad. No: 46 34420 Tepebaşı Istanbul Turkey
Tel. + 90 212 249 19 29 Fax + 90 212 292 53 75
e-Mail: info@ubcce.org
Web: www.ubcce.org