

Key Note Address

Assoc. Prof. Adem fiahin

Distinguished Guests,

Esteemed Participants,

Distinguished Representatives of the Black Sea Economic Cooperation
and the Konrad-Adenauer-Foundation,

Members of the Press,

I am pleased to be with you at the opening of this workshop organized by the secretariat of the Black Sea Economic Cooperation (BSEC) and the representative office of the Konrad-Adenauer-Foundation in Turkey, together with KOSGEB and TOSYÖV on "SME in the BSEC Region: Reality and Vision". I greet you on my behalf and on behalf of our ministry and country.

I hope that you will have an excellent time in our beautiful city Istanbul, situated between two continents with a unique geography that combines different civilizations and cultures and hosts a number of historic treasures.

Distinguished Participants,
Esteemed Guests,

The world has entered the 21st century with a very important structural and economic transformation. Globalization lies at the core of this transformation process especially in the last decade and increasingly continues to affect economies.

In this globalized world, countries can not remain indifferent to this process. Therefore, it will be necessary to properly understand globalization in order to achieve development and have a greater share in prosperity. Globalization has rapidly brought down economic and commercial barriers between countries. More specifically, liberalization in financial markets, commercial sectors and foreign capital paved the way for open economies and greater integration with the world markets.

Esteemed Participants,

While the world is becoming more global on the one hand, regionalization is taking place on the other hand. Greater international economic, political and technological ties have promoted international cooperation and countries having similar characteristics in geographically similar regions have entered into intensive regional relations that unite their strengths.

These two basic principles of the world economy, in other words globalization and regionalization, have both positive and negative effects

on countries. Countries must adjust to this transformation if they are to benefit from globalization and regionalization.

Our country has recently achieved unprecedented success in the economy upon the establishment of political and economic stability. Average annual real growth was 7.3% in 2002-2005. Turkey's continuous growth over this 4-year period, or in 16 quarters, is unequalled in any period in its recent history.

In the last three-years, exports increased from 36 million to 74 million in us dollars, a 100% increase in three years. Moreover, this success was achieved at a time when the Turkish Lira gained value against major currencies such as the Dollar and Euro.

The per capita net income increased from approximately \$2,500 to \$5,000. There is no other period where the per capita net income doubled in three years.

In the same period, the inflation rate decreased from around 30% to 8%, a single digit figure for the first time in the last 35 years, showing a stabilizing trend at that level. Real interest rates have also fallen from approximately 30% to 7-8%.

The private sector, after so long a period of inactivity in investment, began to invest in this positive economic environment and the level of investment that stood at \$45 million in 2004 rose to \$66 million in 2005.

Turkey became one of the favourite investment countries in the world after years of difficulty in attracting investment. The \$9.6 billion foreign capital in 2005 is an incomparable success over previous years.

The secret of this success is, first of all, political stability achieved in this term as well as the accompanying economic stability, the develop-

ment of good relations especially with the EU and with neighbouring countries and finally, the importance given to fiscal discipline.

To become one of the ten largest economies of the world is not a dream for Turkey as long as this stable environment continues to exist.

Esteemed Participants,

In this globalizing world, the importance of SMEs is no longer a topic of debate. Today all governments of developed and developing countries understand the importance of SMEs and their contribution to the economy, employment, regional and local development.

SMEs are promoted and supported because they have dynamic structures, they are more easily managed and audited, more flexible and they lower unemployment due to labour-intensive production methods.

For this reason, globalization and technological change offer SMEs new opportunities to enter foreign markets and lower their operating costs.

On the other hand, developments in world banking and capital markets show that SMEs will have greater difficulty in finding financing opportunities.

Globalization and internationalization resulted in increased competition in all sectors and made firms more profit-oriented. Mergers and growing companies created new and different large enterprises against SMEs.

In Europe, credits and loans continue to be the main financing sources in the SME sector. Currently, SMEs in the EU countries expect the European Commission and European Parliament to provide better financing conditions for the SMEs.

Distinguished Participants,

SMEs are not only seeking to have easier access to funds, but also wish to strengthen their internal financial situation and benefit from venture capital.

Similar to a number of developed and developing countries, we, as the ministry, also give importance and support to SMEs as the driving force of the Turkish economy.

In this context, the previous 8 types of support were increased to 38 types categorized under 22 main headings and the number of documents required from the SMEs to benefit from this support was decreased from 48 to 5. We provided approximately \$275 million support to our SMEs in the last 3 years.

On the other hand, KOSGEB as the relevant body in our ministry signed protocols with banks to provide SMEs with export support and employment incentives at no interest to the SMEs, with the interest to be borne by KOSGEB.

Moreover, legislation regarding SME markets and establishment of venture capital in order to offer modern financing methods to the SMEs has been completed.

Esteemed Guests,

Esteemed Participants,

The support given to the SMEs as the basic building blocks of economic and sustainable development by the member countries of the Black Sea Economic Cooperation will also contribute to decreasing unemployment problems and increasing economic competitiveness in these countries.

Since its establishment with the signing of the summit declaration on June 25, 1992 in Istanbul, the Black Sea Economic Cooperation has given great importance to Small and Medium Sized Enterprises.

Our ministry, in cooperation with KOSGEB and the secretariat of BSEC, organized a meeting of the ministers responsible for SMEs in the member countries of the Black Sea Economic Cooperation (BSEC) on September 26-27, 2001 in Istanbul.

As a result of this meeting, "The Declaration on Small and Medium Sized Enterprises at the Dawn of the 21st Century" was adopted and published and this declaration text includes a decision to establish an SME working group within BSEC. The coordination of this working group was conducted by our ministry and KOSGEB for two years.

Our ministry, through KOSGEB, shared its knowledge and experience on the subject of providing support for SMEs with the countries of BSEC whose economies were in transition and who had limited experience in SME support policies.

By conducting effective activities, this BSEC-SME working group fulfills an important function in advancing relations between regional SMEs.

Esteemed guests,

As you know, this is the second time our country has taken on the two-year duty of coordinating the BSEC-SME working group.

With regard to the activities of this working group that has been conducted by our ministry and KOSGEB, work is being done with BSEC member countries in order to promote SME development and to diversify concrete project proposals in this field.

On the other hand; trade is the leading component in the development of regional cooperation between BSEC countries. In addition to trade, foreign direct investment and technology transfer are also factors that will accelerate economic development in member countries.

In this context, I also believe that it is necessary to take concrete steps towards the establishment of a free trade zone in the region in order to eliminate barriers to trade and to increase regional trade.

The liberalization of trade, promotion of SMEs, facilitation of the movement of products and people across borders are all issues being worked on and remain on the agenda of BSEC.

Distinguished Guests,

As you know, BSEC spans a broad economic area from the Balkans to the Caucasus and therefore the BSEC region is as an important market and an important economic force.

Given its size and potential for development as well as its convenient geography, the BSEC market can be more easily integrated with the European, Middle Asian and Middle Eastern markets.

Furthermore, the BSEC business council, established with the aim of facilitating the economic development of BSEC countries is an important step towards regional cooperation.

In this regard, Turkey's main aim is to ensure that the Black Sea Economic Cooperation is an active and effective organization.

The success of BSEC will contribute to the development of good neighbourly relations through improved prosperity in the region and will provide for political and economic stability within the BSEC region, including the Balkans and Caucasus.

Esteemed Guests,

Another important factor that must be mentioned is the fact that Turkey has entered a process of harmonization with the EU to adopt the Acquis Communautaire and will share the plans and vision of the EU for the future.

Turkey's efforts for liberalization in existence since the 1980s gained greater momentum in 1996, when turkey entered the customs union with the EU.

In 2006, Turkey is on the threshold of a new era with regard to accession to the EU in the context of the ongoing accession negotiations.

In this framework, political and economic subjects are being discussed with Europe, and stability and prosperity in the BSEC region has gained importance.

If a decision to have concrete and effective cooperation between the newly restructured Europe and BSEC is taken, such a decision will have a positive role in the BSEC-EU relationship and will help develop BSEC-EU cooperation.

Distinguished Guests,
Esteemed Participants,

It is the duty of not just the governments, but also the private sector, businessmen and companies to develop economic and commercial relations between the member countries who have very different economic and political structures and cultures.

In this framework, the main aim should be to define new fields of cooperation and to take necessary measures in order to promote more interaction in business.

In spite of the difficulties, there is no doubt that BSEC will contribute to the prosperity of the people of the region through the Black Sea Trade and Development Bank that began its operations in 1999. The bank has great importance with regard to the financing of prospective projects in the region; institutionalization of the private sector; and for providing prosperity to the peoples of the region by financing concrete cooperation projects prepared by working groups.

Distinguished Participants,

Esteemed Guests,

As I conclude, I wish to thank the secretary general of BSEC, the Turkey representative of the Konrad-Adenauer-Foundation, KOSGEB and TOSYÖV and all contributors who have made great contributions to the organization of this workshop.

I believe that this workshop will yield positive results for all participants and contribute to greater cooperation and friendship between BSEC countries. I greet you with respect on behalf of my country.