

CAPE & ITUC/AP Joint Meeting,
Geneva-Switzerland, 5th June 2015
On the side line of the 2015's ILC

Topic of the discussion:

"Regional Economic Outlook and National Challenge"

Mr. Chairman, ladies and gentlemen,

It is my pleasure to be present at this CAPE- ITUC/AP joint meeting. Having the opportunity to share some of our thoughts and experiences with this meeting is so special.

Mr. Chair.

Please allow me, first, to thank the CAPE and the ITUC for organizing this joint meeting, and also extend my gratitude to the ITUC for hosting the event.

Ladies and gentlemen,

The issue of "Regional Economic Outlook and National Challenges" has been set as a topic of a discussion in our sitting.

So, I have classified my presentation into 3 parts, as global, regional and national economic outlook.

The Global Economic Outlook:

The West's monetary policies of 2008 have negatively impacted economies of many countries in different regions. The world failed to provide, early enough, a sound leadership to curb the consequences of those policies that resulted in the global economic downturn and financial chaos.

Due to worsening global economic outlook, governments took the toughest measures needed to steer the global economy back to financial health. However, despite some positive results, a persisting problem of unemployment still

threatens to further reduce “consumers spending”, raising the risk the economic recovery will come to a halt.

Yet, many governments have not been able to take their economy out of recession. It may still be too soon to expect this to happen.

Asia Pacific Region Economic Outlook:

Given the current global economic downturn and debt-related tension in the Europe, one of the great opportunities that exist is the world to consider the Asia Pacific region as an extra ordinary engine for positive growth.

According to the latest Regional Economic Outlook for Asia and Pacific, published on May 7, 2015, the economic outlook for Asia and the Pacific is stable and robust, with positive growth expected to hold steady at 5.6 percent in 2015, easing slightly to 5.5 percent in 2016.

The Asia and the Pacific emerging economies have anchored the global economic recovery; but still the widening economic disparity among countries within the region has highlighted the need for increasing regional integration by promoting intra-regional trade.

National Economic Outlook, Iran at a glance,

Iran, my country, located at a strategic crossroads between the Middle East and South Asia.

Among the countries of the region (Asia and the Pacific) Iran is a vast country with specific geo-political situation that has valuable potentials for cooperation with countries.

There is no doubt that Iran has a lot of potential. It is a country that boasts a domestic market of 77 million people, 11% of the world’s proven oil reserves, 15% of the world’s proven gas reserves, 11 petrochemical complexes, 3 major steel plants, and much more. It is populous, rich in natural resources and apt to technological progress and international developments. The country’s natural resources create a significant wealth.

National Challenges with regard to private sector and business community:

Despite much potential, there are a number of factors holding back our economic growth, achieving sustainability and viability of the Iranian private sector.

These factors are as follows:

1) The Iranian economy has been affected by the reduced oil prices, as the country, with much regret, is heavily reliance on oil export revenues.

Oil prices are half what they were a year ago. Dramatic collapse of global oil prices has added fuel to the fire, further complicating the country's economic situation.

The government facing with budget troubles, has been unable to entirely fulfill its remittance-related commitments, with respect to the state-owned infrastructure projects which are driving force for the private sector activities in the country.

This problem has been compelling the private sector to certain layoffs and inevitable delays, in some cases for months, in payments of wages. This tide must be reversed. If not, it could be even harder for our private sector to continue well-functioning, and to enforce fiscal discipline and sound labor management, in the future.

2) Through the execution of the "Target-Oriented Subsidies Plan", the government cut subsidies on major food and energy products, in a bid to annually shave, about billions of dollars, off the public expenses. The government deposits the cash subsidies in the peoples' accounts. Our business community argues that the amount gained from the scraped subsidies must be transferred only to vulnerable and deprived households, while the remaining should be channeled to the country's development chain.

This policy, when and if implemented, will lead to fostering our private sector, result of which will be further and further job creation opportunities.

At present, almost three fourth of the Iranian people still are receiving the cash subsidies.

The elimination of state subsidies to rich Iranians was on the agenda of President Hassan Rouhani's administration for some time. However, a lack of a comprehensive database hindered efforts to identify those rich people in receipt

of such payment. Therefore, implementing measures to regulate subsidies were delayed.

3) West's attitude towards Iran's nuclear program led to imposed sanctions on the economic and financial sectors of the country. Sanctions-related banking restrictions have made it increasingly difficult, for the Iranian private sector, to access international / regional banking services in doing businesses.

In addition, due to the international sanctions, Iran has some \$100 billion of frozen assets in different countries. Western sanctions have paralyzed the entrance of the oil incomes to the country. Though modest amount of frozen assets have been received through the Joint Plan of Action, inked with world powers in 2013, Iran has still no access to a substantial part of the assets.

This is a major challenge that our business community is hoping to be resolved through diplomatic negotiating channels.

4) The country's state-owned and run economy system has been prevailing for a long time. Existence of a public monopoly as compared with only 17/18 percent of private business has made it almost impossible to create a healthy competitive environment for desirable functioning of our private sector.

To remedy the situation, the policy of privatization has placed among the top priorities of the country's economic program. However, the pace and scope of this reform is not very significant.

5) Additionally, shortage of adequately business training and education for young entrepreneurs with support for improving access to finance, and existence of a variety of difficulties in starting and improving business has resulted in the expansion of informal economy in the country.

It's no secret that Iran's private business community has been suffering as a result of sanctions and economic mismanagement, and political unrest and uncertainty in the region.

The authorities recognize these challenges and remain determined to sustain the improvements in macroeconomic conditions," according to the recently IMF mission to Iran.

Mr. Chairman, ladies and gentlemen,

I conclude my remarks by stressing that it is necessary to focus on reinvigorating the private sector as the driving engine for sustainable job growth. It is among the duties of our governments to encourage the private sector and prepare necessary grounds for their active participation and engagement in the process of development and progress.

Mr. Chairman, distinguished delegates, I appreciate your attention.