

**Lecture by H.E. Dr. Seyed Shamsedin Hosseini, Islamic Republic of
Iran Minister of Economic Affairs and Finance, Plenary Session 3,
Countries in Focus A, Business, Trade and Investment
Opportunities, 6th World Islamic Economic Forum
19-20 May, 2010 Kuala Lumpur, Malaysia**

**Mr. Chairman,
Excellencies,
Esteemed Participants,**

At the outset I avail the opportunity to express my gratitude to the organizers of this very important event which provided the ground for participation of different countries high ranking authorities, economic and political features and experts in the area of investment and trade and wish the Forum brings valuable outcomes. It is of great pleasure that after four years of activity of the Forum and convening five world events, the WIEF has proven that it could act as an effective communication channel serving the management of Islamic countries' economic and trade interaction and cooperation with the world.

Esteemed Sisters and Brothers,

The global economic perspective is not expected to be promising in the short run. The global financial and economic crisis which started in the late 2007, has not yet faded away despite forecasts of returning of the world to a stable and balanced economic situation in late 2009. The negative growth rate in the developed economies has caused the world average economic growth rate be set at minus point six percent (-0.6%) in 2009. This happened while most of developing and emerging economies experienced a positive and in some cases an increasing growth rate comparing to 2008 and recorded an average growth rate of 2.4 percent in 2009.

Still we are witnessing the impacts and aftermath of this crisis in the world. Greece and some of the others European countries economic crisis and overdue debts is the proof for the fact.

Esteemed Participants,

Regardless of the timing of bringing the crisis under control, one of the lessons learned, was that the complete reliability and confidence in the world current financial structures and mechanisms is a big mistake and in some cases very costly. After two years passed from the outbreak of the crisis, it was proved that the organizers and designers of the world financial and economic order have not been able to even predict, manage and show a timely reaction towards the crisis, but in most of the occasions have benefited from it as a tool for transferring and passing on the negative effects and impacts to the other countries economies, using integrity of the global markets.

Esteemed Sisters and Brothers,

This crisis taught the Islamic countries an additional lesson which was the need for more confidence in Islamic economy, finance and banking guidelines and its extensive utilization in financial and capital market. There is no need to say that these guidelines and principals were previously put into test and proved to be operational and responsive to the global needs, being vastly utilized by commercial and development banks and financial institution in the Islamic world. The utilization of Islamic and sharia'a compatible tools and modes of financing have also been one of the core businesses of conventional European banks and western financial institutions. Furthermore since the Islamic financial institutions

have followed the sharia'a principals, avoided the usury based activities and prevented the expansion of paper assets and derivatives, they could cope with the crisis.

Thus, it seems that these principals, methods and guidelines not only have the ability to be globally utilized and extensively implemented, but also have the capacity and potential to play an effective role in reengineering and redefining the new financial and economic strategic structure in the post crisis world and to be considered as an eligible model for substituting the current conventional orders and modes of financing. Introducing different methods and mechanisms for issuing sukuk bonds, implementation of different Islamic modes and methods for financing projects such as Istisna'a, installment sale, leasing, establishment of investment and mutual funds and applying credit rating for Islamic banks and financial institutions, are just part of this important evolving model. My dear colleague now is the time for the Islamic economy and finance not only be attended as a market but also promoted as a model. Dear sisters and brothers along with the conceptual discussions as described, a considerable attention should be paid to the Islamic countries market potentials having 22 percent of the world population, 9 percent of the world GDP, contributing to 10 percent of the global exportation and receiving more than 11 percent of the world total foreign direct investment inflow, have all the required potential to take benefit from these opportunities. A very important point that should be highly attended in this course is the necessity for promotion of the intra trade, investment and economic cooperation among OIC members. The total value of OIC intra trade was US\$ 247 billion in`2008, contributing to almost 14 percent of the value of Islamic countries' foreign trade, which does not attribute and correlate with the Islamic countries economic and commercial capacity. We should extend more effort for promoting the intra trade and

economic cooperation, which could also be achieved through introducing available opportunities to each other. I avail this occasion to present my country, Iran, capacities.

Esteemed Participants,

The Islamic Republic of Iran as a large country and one of the largest economies in the OIC, with a US\$ 800 billion GDP and GDP per capita of US\$ 12,500 on PPP basis and the 18th economy in the world in 2009, has implemented series of policies and made extensive actions to utilize the modern sharia'a compatible modes of financing for projects, improving doing business environment, promotion of local and foreign investments and foreign trade and promotion of activities in the capital market. The Iran's banking system and money market has been designed on a usury free structure and its governing laws and regulations are based on sharia'a and have been endorsed by the reputable scholars as well as guardian council which is responsible for verifying the sharia'a compatibility of all the laws passed by the Iranian Parliament. I strongly believe that the prerequisite for presenting a sharia'a compatible economic model to the world, is the complete utilization and implementation of these principals in the Islamic countries' economies at national level.

Esteemed Sisters and Brothers,

The government of Islamic Republic of Iran's has put the implementation of structural reform programs in the agenda. The country's huge privatization program was launched four years ago which by keeping its accelerating pace have extended efforts for privatizing a large number of SOEs valued at almost US\$ 67 billion. The pace is

keeping up in such a way that 340 SOEs including petrochemical companies, refineries, power plants, Air carriers, hotel, banks and insurances, major car manufacturing companies, mines and farming industries have been considered in the government sale list for 2010 alone and their shares and management would be transferred to the private sector. One of the approaches recently considered by the government with its regulatory framework and procedures being also defined, is the preparation and designing the standard packages for companies to be offered to potential foreign investors which with no doubt pave the ground for promoting economic cooperation, attracting the foreign investors from Islamic countries and coalition between their capital and Iran resources and local investments. The Iran Privatization Organization offers the latest up to date information on names and profiles of companies under privatization and the related procedures to the interested investors at www.ipo.ir. I invite you to take benefit from this opportunity.

Excellencies,

Iran is also welcoming the foreign capital and investors in financing sector and capital market while considering the local resources and capacities, and given the country's numerous opportunities and variety and large demand of mega infrastructure projects specially in oil and gas, energy, roads and construction and industries and mines, has taken serious actions to mobilize foreign funding with compliance with sharia'a principals and guidelines of Islamic modes of financing. The government of Iran was permitted in the context of last year annual budget plan to issue Euro 1.5 billion foreign exchange participation bonds with a guaranteed principal and profit through a commercial bank as the agent which is an ongoing process and two trenches with a value of Euro

500 million has already been launched and sold in the international markets. The current year annual budget plan has permitted the government to issue and launch Euro 12 billion foreign exchange participation bond. It is worth mentioning that Iran having issued and launched local currency (Rial) participation bonds equivalent to almost US\$ 26 billion during the last decade, is one of the most successful countries in terms of mobilizing local liquidity and resources for financing countries infrastructure projects in compliance with Islamic sharia'a.

Esteemed Participants,

Iran's capital and securities market, despite the descending trend and significant decrease in the indices of most of capital markets in the world, is experiencing an increase in the market index which was recorded at 12500 in 1388 (march 2009-march 2010) showing a 58 percent increase comparing with the similar period last year. The market size and the value of the market reached to US\$ 74 billion by the end of march 2010 which shows the doubling of the volume of the market during the past 5 years. The volume of transactions and the value of traded shares exceeded US\$ 17 billion in 2009 and recorded a 12 percent increase comparing to 2008, leaving a booming and promising year behind.

Furthermore by approving related regulations, the introduction and utilization of new financial instruments in the capital market is now possible and the sukuk tool will begin its operation in the market soon. The capital market has also been allowed to issue and launch US\$ 4 billion participation bond in the current year. One of the main reasons for the boom in the Iranian capital market, in addition to non integrity with

the world financial markets, is the market compatibility with the Islamic and sharia'a principals and guidelines and thus preventing the paper and toxic assets generation in the market.

This market is ready to attract the foreign investments. The new by law for foreign investment in the stock exchange, securities and OTCs was approved by the Ministerial Council and removed many previous limitations such as time limits for transferring the capital and capital gains or the possibility of strategic investments and membership in the board of directors of listed companies. The interested investors could receive all required information on regulatory framework and procedures for investment in Tehran Stock Exchange and Securities at www.seo.ir

The volume of transactions in commodity exchange market in Iran also experienced a 31 percent increase weight wise and 11.5 percent increase value wise in 2009 comparing to the previous year and the value of traded commodities during the same year reached to more than US\$ 9.2 billion.

**Ladies and Gentlemen,
Esteemed Participants,**

The performance of Iran foreign trade and exports and imports was appropriate and satisfactory during last year. Despite the global economic crisis and decrease in the cost of exported goods, the non oil exports of the country increased 10 percent value wise and 35 percent weight wise in 2009. This coincided with the 12 percent decrease in the value of the world trade. Iran importation though experienced a 1.5 percent decrease in the value in 2009, recorded a 17.5 percent increase weigh wise and made the total non oil foreign trade volume of the country stand at US\$ 80 billion in 2009. The huge demand in the domestic market of 74 million

people, easy access to a 500 million market through neighboring countries, the unique transit condition, accessibility to seas and international water ways from the north and the south, well developed infrastructure and expanded transportation network and 6 free trade zones operating in the country along with the other comparative advantages of Iran, all indicate the existing and potential capacity of the country in the area of trade and commerce. The businessmen and interested companies could receive the detailed information and in depth insight through Iran Trade Promotion Organization at www.tpo.ir

Sisters and Brothers,

The foreign investment in Iran experienced a different trend with the world FDI flow and by attracting almost US\$ 3 billion of foreign investments in 2009, recorded a 60 percent increase comparing to 2008. This was coinciding with a 35 percent decrease in the flow of foreign capital to developed economies. Although it should be noted that this amount is much lower than the appropriate volume of FDI proportionate to the Iranian economy, available potentialities and the huge demand gap in the market. For the same reason activating of country's huge potentials in the areas of oil and gas, industries and mines, petrochemical, energy and power plants, services, food industry and textiles through defining and packaging various investment projects and attracting foreign investments have been set as the country's priorities. The investors could receive information on regulatory framework of foreign investment in Iran through referring to the Iran Organization for Investment website at www.investiniran.ir and also for detailed technical, financial and economic information of defined, studied investment projects to www.iio.ir

In the meantime I invite all of you to come to the land of passion, friendship, beauty, civilization and history, Iran, to view the attraction of this country by yourselves. This visit will make a unique memory for you and surely strengthen your will and intention for interaction, cooperation and transaction with Iran and Iranians.

Excellencies,

Esteemed Participants,

Ladies and Gentlemen,

At the end I re express my gratitude to the organizers of the event and wish for effective and evolving activities of WIFE while reiterating on the necessity for the Islamic countries play their deserved role given the weight and their standing at the international financial and economic arena. The Islamic countries should play an effective role in reorganizing and designing the new world financial and economic orders and there is no doubt that this foundation as a think tank and supply of technical and theoretical inputs is able to play its fundamental role and pave the ground for coalition and convergence of views and approaches.

Designing mechanisms for implementation of arrangements such as joint investment funds, exchanging and utilizing the local currencies in economic interactions amongst Islamic countries, are some of issues that could be implemented as a result of efforts and extensive research activities by the experts and scholars and the role of institutions and foundations including WIEF are of great importance. In the same line the Islamic Republic of Iran is ready to actively and extensively cooperate with the WIEF and the Islamic countries on exchanging views and knowledge sharing for designing and implementation of operational mechanisms in order to realize the envisaged objectives. The priority for

expanding the economic relations with the Muslim countries is the indicator for this readiness.

There is no doubt that these objectives could be achieved with the strong will for establishment of institutions and infrastructures required for economic integrity and interconnectivity of Islamic countries based on sharia'a compatible models and innovative arrangements rather than prescribed and conventional structures and mechanisms.

Wa salam-o-Alaikum wa rahmatula wa barakato