
***Opening Address of the Thirty-Sixth Meeting
Of the Committee of Monetary Authorities and
Central Bank Governors in the GCC Countries***

It pleases me to welcome you to your country, Kuwait, on the occasion of the opening of the thirty-sixth meeting of the Committee of Monetary Authorities and Central Bank Governors in the GCC Countries, wishing you a good stay in Kuwait and asking God Almighty to grant all of us success in advancing and developing the joint endeavors of the GCC member countries on strong and firm bases.

The last few years have been fraught with changes and developments on regional and international fronts, resulting in considerable impact on the GCC countries, as these changes involved security and economic challenges. The GCC countries have demonstrated marked ability to adapt to these new conditions and developments, and have therefore been able to handle the various challenges in a way which has supported and reinforced the foundations of the GCC countries' economies in various areas and from various perspectives. As you know, we are nowadays witnessing numerous changes involving opportunities and challenges with various reflections on the economies of the GCC countries. In fact, the end of the Iraqi regime has led to stability and improvement in the regional economic environment, opening in turn broad perspectives for accelerating the pace of development and driving the growth process in the GCC countries.

The agenda of this meeting encompasses numerous subjects of particular importance to the process of joint GCC work in areas of direct relevance to the monetary authorities and central banks, in the forefront of which is the issue of establishing the GCC monetary union and preparing the launch of a unified GCC currency.

Worth noting in this connection is the decision of the GCC Higher Council in its twenty-second session, held in December 2001, which entrusted the Financial and Economic Cooperation Committee, and the Governors' Committee, with completing the study of economic performance standards for financial and monetary stability, noting that the convergence of these standards is a requisite for the monetary union's success. Additionally, the Committee was entrusted with reviewing the ratios of these standards, their composition and method of calculation so that an agreement may be reached in this regard by end of 2005, in preparation for launching the GCC common currency by the first of January 2010 at the latest.

The resolution of their Highnesses and Excellencies, leaders of GCC countries, regarding the monetary union and unified currency represents, in its form and content, a pivotal foundation for the advance of the work of your honorable committee. Transforming this political desire into a living reality calls for intensive efforts which should be shaped into an integrated system, through coordination.

After almost two years from the date this timetable was laid down, what has been achieved so far is modest. Worth

noting in this regard are the steps taken towards the unification of the GCC countries' currencies. These currencies were officially pegged to the US dollar as of the beginning of 2003, although this situation had existed in reality for years. Accordingly, you may agree with me that the time has come for collectively focusing on determining the requirements for executing the GCC leaders' resolution, so as to ensure that the common currency is launched according to schedule.

For this to be realized, we must address the challenges concerned with setting up an adequate framework for achieving the needed level of convergence in economic policies among GCC countries, particularly financial policies. Additionally, it is necessary to try to achieve convergence in economic performance according to set standards, and to make the necessary regulatory, legislative and institutional arrangements for establishing the monetary union and launching the common currency, noting that this requires reviewing several related laws, legislation and by-laws in force in the GCC countries, and speeding up the measures needed in this regard.

It is necessary also to emphasize that some measures which must be taken involve the transfer of sovereign authority from the periphery to the center. There is no alternative to this, as the establishment of the monetary union and the launching of the common currency cannot be achieved under divergent laws, particularly the laws related to the monetary and banking sectors in the GCC countries. The launching of the common currency means necessarily the existence of a central

independent monetary authority that draws and executes a unified monetary policy. Therefore, this subject shall be granted due consideration at an early stage, and be studied unhurriedly to reach adequate solutions.

The Unified Economic Agreement among the countries of the Gulf Cooperation Council represents, indeed, the main framework for efforts toward economic integration among these countries. Worth noting in this regard are some important steps which have been taken to strengthen cooperation among the GCC countries, including the application of unified customs tariffs, and equal tax treatment among GCC nationals, along with allowing banks to open branches in the GCC countries.

Despite the importance of these steps, the preparations for the establishment of the monetary union and the launching of the common currency require essentially - as already mentioned - achieving an adequate level of consistency in economic policies, and convergence of economic performance according to set standards, particularly the standards and policies related to financial and monetary stability. Only in this way can a macroeconomic environment favorable to the establishment of the monetary union and the launching of the common currency be realized.

I wish to emphasize in this regard the necessity of intensifying efforts and boosting joint action in setting up the needed regulatory, legislative and institutional frameworks for drawing and executing a unified monetary policy, which will contribute to the achievement of the objectives of the desired

monetary union. It has become clear that a totally independent GCC central bank must be established, entrusted with making monetary policy decisions. Hence, the importance of accelerating the drafting of a law that organizes the issues concerning the establishment and management of that bank.

Assessing what has been achieved in terms of convergence and consistency in policies and their objectives requires the availability of detailed data on macroeconomic performance, along with timely and accurate monetary, banking and financial data, of a uniform format allowing correct comparisons. The availability of such data and statistics will establish a fundamental and extended basis for supervising and following up the economies of GCC countries, and will help limit discrepancies among their macroeconomic performances.

In this context, the need becomes obvious for achieving convergence in the standards applied in the preparation and publication of economic, monetary, banking and financial data and statistics, along with making such statistics available and unifying the statistical concepts and definitions applied in GCC countries by following international standards and specifications. This has to be achieved according to a unified methodology that fulfills the principles of disclosure and transparency in the compilation and publication of these statistics in a regular and timely fashion for the benefit of all concerned parties, along with granting due consideration to the establishment of a centralized statistical system for the GCC countries.

On the other hand, attention should be given to bringing to fruition the efforts exerted in connecting the payment systems and automated teller machine networks in the GCC countries, through the existing technical committees, along with facilitating these committees' tasks, following up their work, evaluating their results and executing their recommendations within the shortest possible time.

On another front, we cannot disregard the importance of laying down the bases for an approach to crisis management in the GCC monetary union, according to a strategy ensuring the sustained efficiency and effectiveness of the monetary policy, along with drawing on international experience in this area. Furthermore, the enhancement and strengthening of banking supervision is considered a cornerstone in maintaining banking and financial stability in the GCC countries.

In this context, I wish to commend the efforts of the technical committees and work groups reporting to them in driving forward joint action for the achievement of a comprehensive economic integration between the GCC countries, which necessitates continuing to work persistently on numerous fronts with a view to achieving convergence among the regulations and policies applied in the various economic sectors.

I hope that I have succeeded in shedding light on some aspects which I considered necessary for the purpose of discussion, particularly taking into account the hefty tasks ahead of us, all of which require collective efforts on our part for the achievement of our desired objectives. I thank you for attending this meeting, and reiterate my welcome to you in your country Kuwait.