

Statement of the Arab Governors at the Annual Meetings of the International Monetary Fund and the World Bank

It gives me great pleasure to address you on behalf of the Arab Governors at the International Monetary Fund and the World Bank. Allow me, Your Excellency, at the outset to congratulate you on your selection to preside the Board of Governors for this year, and to welcome Eritrea to membership in Bretton Woods.

In addition, I would like to welcome the resumption of inviting observers attending the annual meetings. Attending the meetings of this year for the first time from our region are the Palestinian Liberation Organization, the General Secretariat of GCC countries and the Kuwait Fund for Arab Economic Development. I would like in particular to welcome the Republic of Bosnia and Herzegovina among observers and as a member of both institutions in the annual meetings for the coming year.

Our meetings coincide with the fiftieth anniversary of the Bretton Woods Conference. The achievements of the International Monetary Fund and the World Bank through these years are reason for pride, but the political and economic challenges of recent years, on the international arena, necessitate Bretton Woods institutions continuing to create, from these challenges, opportunities for progress and development within the international framework. Nevertheless, the ability shown by these two institutions to adapt to new events assures us that they can carry out their future responsibilities.

In order that industrial countries may benefit from the opportunity which economic recovery has made possible, they should narrow the structural deficit in their government budgets to make it possible to reduce long-term real interest rates and help fiscal policies acquire a greater flexibility than was available during the last economic depression. In this regard, we would like to emphasize the importance of concentrating fiscal reform efforts in the industrial countries on reducing public expenditure in light of burdens of direct and indirect taxes in most of these countries and after considering that reduction of public expenditure in some fields - such as the subsidies extended to the industrial and agricultural sectors - has positive effects on international trade activities. Besides, we would also like to point out that it is important for the industrial countries to give special attention to introducing structural reforms in labour markets so as to reach radical solutions for the unemployment problem. The continuation of this problem causes loss in production and creates political pressures to take protective measures.

Market expansion in developing countries during the last few years has strengthened demand for exports from the industrial countries and stimulated economic activities in these countries. It should be borne in mind that the majority of the developing countries are expecting a continuation of their economic growth; other developing countries, however, still face various economic difficulties. These countries, especially those of lower-income countries in Africa, should continue their adjustment efforts to face their long lasting difficult living conditions. These efforts require external support, which includes the management of the excessive indebtedness from which many suffer. In this respect, we welcome the call issued by the recent summit conference of the group of seven major industrial countries to the Paris Club in order to take additional measures to reduce the burden of indebtedness, including

reduction of debts among the lower income countries. The call issued by the Naples summit conference acquires special importance in light of the remarkable rise in long-term interest rates in the industrial countries since the beginning of the current year.

If availability of external finance is basic for the support of development and reform in the developing countries, it is equally important that proper marketing opportunities be available for the exports of the developing world. In this respect, and after considering the long-term positive effects of liberating international trade on the performance of world economy in general, the Arab countries, including those whose memberships in the GATT started prior to the end of 1993, new members and others whose memberships were recently requested, welcome the conclusion of the Uruguay Round. We hope that the agreements concluded during the Round shall be ratified without delay, so that the World Trade Organization can start functioning next year, as agreed upon in Morocco.

We attach special importance to the cooperation of this Organization with Bretton Woods institutions within a framework that eliminates redundancy and subjects international trade to systems and rules derived from the necessity to strengthen international cooperation in that vital area. Here, in particular, it is necessary not to realize the increase in trade within the regional trading blocs at the expense of scanty marketing opportunities in the non-member countries or the volume of international trade. It is necessary to bear in mind that if the agreements concluded at the Uruguay Round are to be implemented effectively, there are several issues which should be emphasized during the stage subsequent to the Round, so as to improve marketing opportunities for the exports of the developing countries, particularly textiles and agricultural and petrochemical products.

It is a matter of our concern that the industrial countries are still applying tax policies and other measures that create discrimination against oil and our exports of oil products. These measures impede the ability of production capacity in the oil producing countries to keep pace with the international demand for oil. Further, we would like to express our concern at the various protective policies and measures adopted by the industrial countries, who claim non-commercial objectives. Such policies and measures may reduce the efficiency of international trade in allocating resources and distributing production according to the principle of comparative advantage.

It will be essential to follow up on the results of implementing the agreements concluded as a result of the Uruguay Round; implementation will run counter to the interests of some developing countries in the short run through rises in the prices of some foodstuffs, and phasing out of concessions granted under the generalized preference system. The Ministerial Resolution included in the Final Chapter of the Uruguay Round calls for the endorsement of principles aimed at increasing of percentage of covering grants and soft loans for importation of foodstuffs, to developing countries which face deficits in their food trade balance, and for low-income countries in general. We call upon the IMF and the World Bank to be ready to render any possible support to the concerned countries to help them overcome their difficulties.

Regarding the International Monetary System, the major industrial countries must ensure the highest possible degree of stability in the exchange rates of their currencies. Moreover, these countries have to show more readiness to ratify the policies recommended by the Fund within its supervisory role. They should accept its direct participation in the process of

coordinating their economic policies more consistently than they are at present. The Fund, for its part, should enhance its supervisory role in the industrial countries.

We attach the utmost importance to the implementation of the provisions of the Fund's Agreement concerning the role of Special Drawing Rights (SDRs) in this system. There was great disappointment at the failure of the Interim Committee to reach an agreement at its last meeting on effecting new allocations of Special Drawing Rights. We call for further efforts to reach, as soon as possible, an appropriate agreement.

The expansion in volume of trading in the international financial markets and exchange markets, accompanied by great variety in contracts and trading instruments, requires a higher degree of organizational efficiency. Further, these also necessitate that the Fund follow-up, with special care, developments in the international financial and exchange markets, and strengthen its capabilities of exploring any warning of adverse trends in these markets. We have been carefully following the efforts exerted by the Fund to enable it to respond swiftly and effectively to the financing needs of the member countries, in case their currencies are suddenly exposed to adverse speculation. We also call upon the Fund to expand the scope of its technical assistance to include assistance in operations devoted to security against adverse fluctuations in exchange and interest rates.

A large number of developing countries applying reform programs have had remarkable success in stimulating investment and attracting private capital. Thus, we are firmly convinced of the benefits of adopting economic policies aimed at increasing local savings and improving the investment environment. In this respect, we emphasize the importance of enhancing opportunities for the developing countries, which

succeeded in attracting private foreign capital, to increase their productive capacities; further, the Fund should study private financial inflows to the developing countries. In addition, reform programs, which are supported by Fund's resources, should apply a more flexible approach when determining the method of dealing with the challenges accompanying such inflows to the macro-economic policies and the policy of exchange rates. It is also important for both the Fund and the World Bank to give special attention to the social and political dimensions of the reform process, and the administrative, technical and legislative requirements of this process.

Despite the intensity of the challenges to the development efforts in our region during last decade, several Arab countries have achieved success in executing development plans and reform programs. Reform efforts are being carried out with reasonable success in a number of Arab countries, namely Morocco, Tunisia, Algeria, Egypt, Jordan, Mauritania and the Comoro Islands, with direct support from Bretton Woods institutions. Their own efforts, as in the case of Syria, have also yielded large success. Two of the Arab countries, Morocco and Tunisia, have accomplished their reform programs successfully in 1992 supported by the Fund and the World Bank after years of continued efforts. Furthermore, both Jordan and Egypt have realized progress exceeding expectations under the reform programs which they started to implement about three years ago.

In the GCC countries, including the State of Kuwait, the United Arab Emirates, Bahrain, Saudi Arabia, Qatar and Oman, it is expected that deficit reduction efforts will realize considerable progress in 1994, with the adoption of privatization programs, which hopefully will lead to increase the participation of the private sector in economic activity, and encouragement of foreign investment. These would lead to more effectiveness in

the process of technology transfer to GCC countries and expansion of their industrial bases. In Lebanon, where reconstruction is going ahead, it has been possible to realize a high degree of financial and monetary stability, which has reestablished confidence among foreign investors. The success associated with Lebanon's recent entry into international financial markets is proof of this.

Many of the Arab countries offer a high degree of economic and financial openness, and have given strong support to Bretton Woods institutions. Strong financial support has also come from oil-exporting Arab countries. Such support continues, exceeding, as a percentage of GDP, the development assistance extended by the industrial countries, despite the sharp decline in oil revenues. Some GCC countries wrote off billions of US dollars from developmental debts due for repayment.

While we commend the financial and technical support extended by the Fund and the World Bank to reform efforts in the Arab countries, we invite them to extend further support to these countries, including the autonomous region in Palestine. We also urge the international community to increase its support for the ongoing work of rebuilding in Lebanon. We must also stress the importance of securing technical assistance from Bretton Woods institutions for the Arab countries which are not utilizing the financial resources of either institution, and the importance of enhancing cooperation between the two institutions and the regional economic authorities in the Arab countries.

In conclusion, the Arab countries have strong determination to improve the performance of their economies, in addition to shouldering their responsibilities on an international level. We

believe that realizing comprehensive and just peace in the Middle East will help effectively in supporting these efforts.

In this regard, and recognizing that permanent peace in our area is in the best interest of the international community, we welcome the progress which has been achieved since the peace process started three years ago here in Spain. We hope that these efforts will be crowned by the realization of the desired comprehensive peace.

Other issues relating to the Fund and the World Bank deserve comment and commendation: In the first place, the support given by the Fund to the poorest member countries; in the second, the increase in resources for the Structural Adjustment Program, in which a large number of developing countries have participated. Further, an important point is that the expected increase in annual lending limits will lead to an actual increase in the Fund's financing not only to the countries effecting economic transfer, but also to the member countries in general, within requirements of the main principles which determine lending limits. Moreover, the Fund's relations with its member countries are based on a higher degree of mutual confidence, requiring careful treatment of any procedures that can negatively affect these relations, such as the publishing of the consultation reports of Article Four.

The World Bank merits commendation for its considerable increase in loans for social development, particularly in education, health care and foodstuffs; such aid has a direct positive effect on development. We welcome the efforts, which the Bank exerts to improve the execution of projects to ensure that they realize their development objectives. We also welcome the task force formed by the Bank to study the role of international development institutions, and the possibility of improving their participation in the development process,

hoping that the increased interest in improving their performance does not necessarily lead to decreased financial flows of these institutions to the developing countries.

Finally, I would like to extend my deep thanks and appreciation to Spain, King, Government and people, for organizing these meetings and for their hospitality.
