

**A Speech Delivered by the Chairman of the
Seventeenth Ordinary Session of the
Board of Governors of the Arab Central Banks
and Monetary Authorities**

Undoubtedly, the concern of the annual meetings of this Council is to discuss different matters related to the Arab economy, and its current and future course in light of the developments and latest events surrounding us. Since the Arab economy is an integral part of the international economy, we shall have to start our tasks by reviewing external developments, before turning our attention to internal developments and aspirations.

The principal issue is that the economic slowdown, which began in 1989, still dominates the international economy. Further, the industrial countries, which face deep structural imbalances in their economies, have not shown sufficient energy in dealing with these imbalances, and have not taken the measures necessary for economic recovery. The international community is waiting for the industrial countries to take action to promote economic growth, achieve financial adjustment and correct structural imbalances.

At the same time, with the exception of a few Latin American countries and a small group of Asian countries including India and China, economic growth in the developing countries has not been within the expected rates. Moreover, the countries, which have recently changed from central planning to a system of free economy, are suffering from a decline in production rates, as well as economic and political instability.

In line with these international developments, the Arab economy has had to face the repercussions of the brutal Iraqi

occupation of the State of Kuwait. However, the Arab economy entered a new phase in 1992, when it managed to realize substantial growth rates, thanks to its determination to rebuild its capabilities and restore its positions.

Several Arab countries have since the mid-1980's initiated economic adjustment and reform programs. Some of these programs were comprehensive and have involved restructuring the national economies, making them more opened and more integrated with the outside world, as well as financial and monetary adjustment. Accordingly, opportunities for steady economic growth would be improved on one hand, and financial and monetary stability would become strengthened on the other.

In addition, a number of Arab countries have adopted several partial adjustment measures. We hope that such steps will help these countries move toward the realization of comprehensive adjustment and reform.

Owing to such diligence and determination, the Arab countries were able to achieve substantial financial and monetary stability, through the adoption of policies which the central banks and financial institutions have helped to formulate and implement. In line with the reduction of government budget deficits, accomplished in a number of Arab countries in 1992, several Arab countries have adopted conservative monetary policies focused on maintaining rates of increases in domestic liquidity within the requirements of economic growth, liberating interest rates, and reducing restrictions imposed on foreign trade and foreign exchange. In addition, they seek to improve standards of banking supervision, particularly with regard to rules that regulate credit concentrations and capital adequacy in Arab banks according to Basle Committee standards.

The role to be played by the Arab central banks and monetary institutions during the coming phase will be crucial. This is due to the fact that the financial and monetary sector in the Arab countries requires further improvement and development.

As the world is developing at surprising speed, we find ourselves committed to helping our Arab financial and banking institutions to rearrange their positions, balance their structures and develop their business activities in such a manner as to assimilate the most advanced technology, and be capable of rendering banking and financial services at both local and international levels with a higher degree of experience, innovation and fair competition.

Our institutions should thus become accustomed to performing in accordance with market mechanisms, in such a manner as to adapt to the new changes with requisite flexibility. It is necessary, accordingly, to direct our attention to the following points:

First: Our banking and financial institutions should expand their capital bases to have sufficient resources to undertake their activities on the largest possible scale, and to benefit from the expanding range of Arab and international markets. At this point, the importance of restructuring through mergers becomes prominent. Such restructuring is necessary to realize several benefits, most significantly: an expanded capital base for these institutions, greater number of larger-scale banking units which can meet domestic and foreign competition, and compliance with internationally accepted performance standards.

Second: These institutions should enhance the efficiency of their human resources through training and developing their manpower in well-planned programs.

Third: Our banking and financial institutions should give due concern to rendering varied and advanced services in such a manner that they become among the outstanding institutions, which continuously endeavor to improve and develop their banking services.

Fourth: Our banking and financial institutions should take into account that they shall have to have closer interrelationships with global markets. Such coherence requires that our institutions should be prepared at proper speed to meet the challenges of such relationships and strengthen their international reputation.

The agenda of the seventeenth session of the Council reflects the nature of the critical coming stage and places its challenges and aspirations before us. The agenda commences, in accordance with the practices of the previous ordinary sessions, with the report of H.E. the General Manager and Chairman of the Arab Monetary Fund regarding follow-up of implementation of the resolutions issued during the previous session.

Further, the agenda includes a review of some of our priorities, including two items on banking supervision: the first relates to the findings of the second meeting of the Committee, formed for the purpose; the second is related to the general recommendations issued by the Committee in its first meeting.

The Unified Arab Economic Report is full of significant developments and issues. Moreover, the paper presented by the

Fund regarding financial and monetary policies and developments will enable us to exchange views concerning several matters of interest to our monetary institutions.

Within the framework of sharing experiences among the Arab Central Banks and Monetary Institutions, the Central Bank of Tunis and the Bank of Morocco present papers indicating their experiences in securing convertibility of their national currency. Then, we shall next move on to review the issues which may be included in the Joint Arab Letter for this year.
