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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Statement by the Hon. **AVRAHAM B. SHOCHAT**,
Governor of the Fund for **ISRAEL**,
at the Joint Annual Discussion

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Mr. Chairman, Managing Director Camdessus, President Wolfensohn, Fellow Governors, Delegates, Ladies and Gentlemen.

1. It is an honor and a privilege for me to address this distinguished assembly on the occasion of the Annual Meeting of the International Monetary Fund and World Bank. Before I begin, I would first like to thank the staff of both the IMF and the World Bank for all their hard work in organizing this conference which holds great significance for the world economy and for Israel as an active participant in it.

2. The peacemaking process we are involved in now, is an historic one.

When the late Prime Minister Rabin and Shimon Peres decided to conclude an agreement with the Palestinians after a hundred years of conflict, they understood that the matter would require painful compromises. The Oslo process marks the beginning of a complicated path to peace. This complex process is having an impact on the entire Middle East—peace with Jordan, economic conferences, reducing the intensity of the Arab boycott, and opening of Arab countries' diplomatic missions in Israel. For the Israeli people, the peace process will create an environment that stimulates economic growth.

The Health of Israel's Economy

3. The shocks of the world economic crisis last year did not pass over Israel, they did not leave permanent scars either.

Israel's economy, like those of the industrialized nations of Europe and North America, demonstrated resilience, stability and strength. Our ability to weather the storm is based on strong fundamentals.

4. The international investment community has recognized the inherent stability and health of the Israeli economy, and, through its actions, has expressed confidence in it. In fact, Foreign Direct Investment in Israel has grown steadily.

5. There is good reason for the confidence of the international community in Israel's economy. Since the mid-1980s Israel has been undergoing a revolution, marked by two major features:

One) the transition from an economy troubled by excessive government intervention to a free-market economy, driven by the private sector and open to competition from both at home and abroad;

Two) the transition from an economy based on traditional industries to one based on Information Technologies and hi-tech industries.

6. The public sector has played an important role in these developments. Responsible fiscal policy, control of inflation, liberalization of trade and foreign currency regimes, antitrust legislation, and capital market reform have contributed to the business-friendly environment in Israel.

7. The primary credit for Israel's transformation, however, goes to the private sector. Our human capital - significantly boosted by the arrival of one million new immigrants, who have blessed our shores since 1990 - has once again proven to be our greatest resource. Know-how and entrepreneurial spirit has launched new enterprises, many of which today comprise some of Israel's largest companies.

- We will continue to control both inflation and the budget deficit through sound and responsible fiscal and monetary policies;
- We will mobilize resources to stimulate growth through renewed investments in infrastructure, education, human capital and peace.
- Structural reform of the economy and privatization will continue, encouraging a competitive business environment;
- We will go forward with capital market reforms, with an eye to promoting international integration
- We will continue to invest heavily in R&D.

Israel and the Region

8. The strategic location of the Southeast Mediterranean as an axis between three continents and two oceans offers vast business opportunities for all economies in the region. The economic potential created in this simple geographic fact has been ignored far too long. Only through regional cooperation and partnership can we create an economic environment that favors peace. To encourage this process, international assistance is needed.

9. While some groundwork towards establishing regional cooperation was laid in years past, the time has now come to vigorously move forward.

On September 13th Israel and the Palestinian Authority began working on a final political settlement. Teams on both sides have started to negotiate a comprehensive agreement that will bring full reconciliation and create a new political and economic environment.

Israel as a donor nation

10. On the eve of the new millenium, Israel sees itself as a fully developed post-industrial economy and we are prepared to take our place in the global community as a donor nation, and joined the International Development Association.

Finally, The new government is moving the peace process ahead, including sincere and genuine negotiations with Syria—negotiations that, among other things, will solve the Lebanon problem and eventually result in comprehensive peace in the Middle East.

We are looking forward to an era of newly formed partnerships both inside and outside the Middle East for the benefit of all involved.