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Statement by the Hon. **MICHEL MARTO**,
Governor of the Fund for **JORDAN**,
on behalf of the Arab Governors,
at the Joint Annual Discussion

**Statement by H.E. MICHEL MARTO,
Minister of Finance of Jordan
Governor of the Fund for JORDAN**

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Mr. Chairman,

I am honored, as representative of the Hashemite Kingdom of Jordan, to deliver the statement of the Arab Group of Governors at this year's joint annual discussion. Allow me, at the outset, to extend my congratulations on your selection as chairman of this year's annual meetings of the IMF and the World Bank, and to welcome East Timor as the newest member of these institutions.

The past year has been a difficult one for the global economy, as successive shocks contributed to the slowdown in the global growth rate that began in 2000, which in turn caused a deterioration of economic conditions in many countries. The increased incidence of crises over the past few years has weakened confidence in the effectiveness of the global economic and financial system. The apprehension of developing countries over globalization has increased, in view of the ease with which financial crises spread across borders, and the apparent ineffectiveness of the economic solutions put forth by the international community to resolve those crises and to minimize their detrimental ramifications. There is a growing concern that these developments will undermine the progress achieved by many developing countries in the context of difficult reform programs aimed at raising living standards and providing for a better future for their coming generations. A strengthening of the global financial system is urgently needed.

Mr. Chairman, there is a pressing need to reconsider the architecture of the global economic system. In this context, it is important to reaffirm the role of the International Monetary Fund in its surveillance of the global monetary system, and in monitoring and coordinating the economic policies of its members. Recent developments in the global economy have particularly underscored the need to enhance the Fund's ability to more effectively oversee the economies of the major industrial countries, as well as the need to give developing countries a larger role in global decision making as their role has been eroding in recent years.

As capital markets are often closed to developing countries when crises erupt, it is also necessary to establish an effective international mechanism that would ensure the continuity of capital flows to countries with sound economic policies. It is also crucial to find ways to encourage more stable capital flows, particularly in the form of foreign direct investments, and to reduce dependence on short-term financing.

The difficulties experienced over the past few years have also underscored the need to strengthen international efforts aimed at establishing a mechanism for private sector

participation in resolving financial crises, that would provide for an orderly restructuring of sovereign debt to private creditors. Such a mechanism would be beneficial to both the debtor countries and their private creditors, as well as to the international community in general. We, therefore, welcome the efforts of the IMF over the past year aimed at developing a comprehensive Sovereign Debt Restructuring Mechanism, and encourage the Fund to continue to pursue this important goal in the hope that agreement on the mechanism can be reached in the near future.

The enhanced global awareness of the immense challenge posed by the struggle against poverty in all its forms has been reflected in strengthened efforts at international cooperation in many fora. Here, I would like to commend, in particular, the important declaration of the Monterrey Conference on Financing for Development which was held earlier this year, with the objective of enhancing international cooperation in poverty reduction and the acceleration of economic and social development in developing countries. It is now incumbent upon us, the international community, to translate the recommendations of this important conference into concrete action. On our part, I would note, and reaffirm here, the continuing positive contribution of the donor Arab countries and the Arab development institutions to the goal of poverty reduction through the provision of grants and concessional loans to numerous developing countries.

In this connection, we also applaud the role of the IMF in supporting economic policies aimed at reducing poverty in developing countries, as well as the increased focus of the World Bank group on strategies for poverty reduction. We call on the World Bank to strengthen its efforts to increase its lending and to extend greater support to the private sector in developing countries. Increased attention should also be accorded to reducing the costs incurred by the borrowing countries, and to simplifying the Bank's procedures. This is particularly important given the present circumstances, where we witness a large decrease in the flow of private resources from international capital markets, underscoring the need for the World Bank Group and other international financial institutions to enhance their role in the transfer of resources. A cause for optimism in this respect is the agreement reached by the donor countries concerning the thirteenth replenishment of the resources of the International Development Association, directed at low-income countries in the developing world.

We also applaud the progress that has been made in implementing the Heavily Indebted Poor Countries' Initiative, which has included 26 countries to date. However, a review of the general framework of the Initiative is also warranted to enhance its effectiveness in raising growth in a sustained manner in these countries and in ensuring the achievement of tangible progress in reducing poverty. We also call for the establishment of an appropriate debt relief mechanism for middle-income countries saddled with high levels of indebtedness, where large sectors of the population also suffer from extremely low standards of living.

Still on the subject of poverty reduction and supporting economic growth in developing countries, we must also stress the crucial importance of the role of the industrial countries in opening their markets to exports from the developing countries by reducing tariff and non-tariff barriers, including import quotas, government subsidies, particularly in the agricultural sector, and excessively high taxes on petroleum products. International reports estimate that the annual losses to developing countries resulting from protective measures taken by the

advanced countries are many times larger than the total value of annual official development assistance. The reports refer specifically to the negative effect of the barriers still imposed by the advanced countries on labor-intensive products, such as textiles, clothing, and particularly, agricultural products. We, therefore, welcome the recent initiative by the United States, which calls for a reduction in the subsidies provided by advanced countries to their agricultural sectors, particularly given that the United States has recently doubled its agricultural subsidies. We hope that the advanced countries, under the leadership of the United States, will follow up with concrete steps in this direction in a timely manner.

We also reaffirm our support for continuing multilateral trade negotiations within the context of the Doha Round, while emphasizing the importance of first assuring the implementation without delay of the agreements of the Uruguay Round. In this regard, it is essential to facilitate the process of joining the World Trade Organization (WTO) for developing countries, based on clearly defined rules that would provide adequate transitional periods for the revision of their relevant procedures and systems to ensure compliance with WTO regulations. The IMF must also accord a much higher priority to the removal of trade barriers in advanced countries in the context of its consultations with these countries, especially since it is accepted that this will benefit their own economies. We also urge the World Bank to provide developing countries with increased technical assistance to enhance their capability in trade negotiations and in penetrating and competing in foreign markets, particularly given the high costs they incur in implementing WTO agreements, which many developing countries cannot afford.

At the same time, we urge the advanced countries to increase their official development assistance (ODA) to developing countries. It is well to note that despite the fact that ODA provided by many of them is well below the target set by the UN, ODA of a number of industrial countries has been reduced in recent years. We also reaffirm the importance of stabilizing the prices of basic commodities, including oil, at a fair level that serves the long-term interests of both the producing and consuming countries.

Mr. Chairman, the developing countries must also undoubtedly bear the primary responsibility in improving their own economic performance by implementing sound economic policies and reforming their institutions, in order to increase their growth rates and absorb their ever-expanding labor force. International financial organizations such as the World Bank and the Fund must also intensify their efforts to increase their effectiveness in supporting the development efforts of their member countries. Here, we would like, in particular, to welcome the review of conditionality undertaken by the IMF during the past year, under the leadership of the Managing Director aimed at streamlining and focusing conditionality on a limited number of conditions critical for program success. This will help strengthen member countries' ownership of their reform policies and raise the level of economic performance of the countries concerned, while encouraging them to turn to the IMF for advice and support before their problems become overwhelming.

In this connection, we also look forward to the Fund's review of program design to ensure that programs take into adequate consideration the particular circumstances and development goals of the countries concerned. We also stress the importance that technical assistance

plays in the development efforts of the member countries, and urge that sufficient resources be allocated for this assistance in the budgets of the IMF and World Bank.

Turning to developments in our region, the Arab countries have made much progress in economic and social reform during recent years, bringing about an important transformation in their economic structures by reducing the role of government and the public sector in productive activities, improving the investment climate for the private sector, and expanding the scope of its activities. Administrative procedures have been simplified through extensive legal reforms, and supervision of the financial sectors and capital markets has been strengthened. Some of the region's countries have modified their exchange rate regimes making them more flexible enhancing their ability to respond to changing external conditions. Nonetheless, the local, regional, and international challenges that continue to confront our countries require vigilance in continuing to strengthen our economies by adopting comprehensive economic policies with a long-term perspective and by upgrading our human resources to significantly increase employment.

Mr. Chairman, the dangerous tensions that have been mounting in our region during the past year and the serious deterioration of the situation in Palestine have greatly affected the economic situation in the Arab world, adding to the severity of the slowdown in growth rates caused by current global conditions. Capital flows to the region have dropped sharply, tourism has declined, as have exports, all of which has adversely affected both economic growth and employment in the region.

While there are signs of recovery in tourist activity and exports, particularly among countries in the region, it is clear that a lasting improvement of economic conditions is closely linked to achieving a just and comprehensive peace in the region. We, therefore, hope that the efforts we are pursuing in cooperation with the international community, will soon be successful in achieving a peaceful solution to the conflict, so that all peoples of the region may live in peace, security, and prosperity. We call on the international community to take urgent steps to relieve the suffering of the Palestinian people, particularly in light of the warning issued by the United Nations on the danger of an impending human catastrophe caused by the continued Israeli blockade of Palestinian cities and the tightening of Israeli occupation of the territories, all of which has resulted in the devastation of Palestinian infrastructure, and the collapse of Palestinian educational and health institutions, not to mention the widespread unemployment.

In this connection, we would be amiss if we did not express our sincere gratitude and appreciation to the officials of the IMF and the World Bank working in the Palestinian autonomous territories, who continue to carry out their duties under the most difficult and dangerous circumstances.

Mr. Chairman, given the dangers posed by money laundering and the financing of terrorism, not only to world peace and stability but also to the effectiveness and credibility of financial and banking systems, the Arab countries have supported international efforts in this area. Our countries have developed legislation and taken the necessary measures, in accordance with international standards and principles developed for this purpose. In this connection, we

reaffirm our support for the participation of the IMF and the World Bank in these efforts, within the scope of their mandate and competence.

Mr. Chairman, it is disturbing to note, however, that some Arab Countries have been subjected to media attacks and biased propaganda, a development that hinders reform efforts in the region since it adversely affects our investment climate, and diminishes the effectiveness of our countries' efforts to stimulate economic growth. It goes without saying that such negative propaganda has damaging effects on the economy. It discourages the inflow of capital and induces capital flight. The encouragement of unsubstantiated claims and accusations against certain Arab countries, their financial institutions and charitable organizations is indeed a grave matter. The international community must confront this dangerous development, which has no legal basis and could have serious economic, political, and social ramifications.

Mr. Chairman, despite these challenges, the countries of our region are determined to move forward to continue their development and reform efforts in all areas. We greatly appreciate the assistance provided by the IMF and the World Bank, and we look forward to further cooperation with both institutions to improve the lives of our people and to help them achieve the prosperity and stability to which they aspire.