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Summary of
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"Economic Reform in Arab Countries: A Review of
Structural Issues for the Remainder of the 1990s"
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Arab countries' economic and financial performance in the 1980s was mixed relative to that of developing countries as a whole. Although economic growth lagged behind that in developing countries, inflation performance was more favorable and the group's current account position improved despite the impact of lower international petroleum prices. Macroeconomic aggregates for Arab countries as a group, however, conceal important differences among individual countries, especially when developments in oil and non-oil economies are compared.

Notwithstanding the diversity in economic and financial conditions, many of the countries in the Arab region face similar policy challenges, particularly in the structural reform area. It is in this context that the paper identifies a "core" set of required structural reforms. These include rationalizing the activities of a large public sector with a view to limiting them to areas warranted by market failure; strengthening the structure of government budgets and increasing their developmental impact; improving the mobilization and allocation of loanable funds from domestic and external sources; enhancing the institutional framework to encourage private investment and production; and rationalizing the external trade and payments system. The paper also discusses, as part of a comprehensive poverty alleviation policy, the importance of measures to protect the most vulnerable groups of the population during the process of adjustment and reform. To be fully effective, the structural reform efforts need to be supported by prudent demand management, an open international trading system, and, for some countries, appropriate external financial assistance.

There is a growing recognition among Arab countries of the need to strengthen their economic performance in the 1990s in a sustainable manner. Indeed, some countries have already embarked on programs aimed at correcting structural weaknesses. The analysis of experience to date under these programs provides an important input into the paper's specification of an overall framework for policy reform.