



GCC countries explore ways to boost growth

A lively discussion developed over desirable economic and governmental reforms at a recent seminar organized by the IMF and the Arab Monetary Fund (AMF) for parliamentarians and members of consultative councils from the six countries of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Part of the context was the below-potential economic growth of the region and the associated stagnation of real per capita incomes in recent decades.

The 30 representatives (some elected, some appointed by governments), meeting in Abu Dhabi on December 19–20, explored strategies to accelerate growth in the region, including stepping up economic diversification, reducing the role and size of the public sector, strengthening institutions, implementing labor market reforms, and developing the financial sector. Discussions focused especially on policy areas where legislative and consultative bodies play a vital role.

Participants agreed that regional economic integration is key for development and growth. Presenters noted that significant progress had already been achieved with the free movement of goods, services, labor, and capital, and that further inroads were being made through the gradual harmonization of banking regulation and su-

pervision, and progress with tax harmonization. But different regulations for foreign investment, ownership, and capital markets, and for integration with the global banking system have worked against an enlarged regional common market.

The objective of monetary union, which the GCC countries aim to meet by 2010, prompted an extensive debate. While the European Monetary Union's experience was seen as relevant, participants stressed that the GCC region differed in a number of significant ways, including in its heavy reliance on oil and limited economic diversification. They felt that monetary union would be beneficial, as long as it was accompanied by the harmonization of regulations, greater policy transparency to enhance credibility, and economic convergence. Member countries will also have to reach political consensus on the convergence criteria, particularly with regard to fiscal policy, financial sector regulatory practices, and the establishment of a central bank. Saleh Nsouli, Deputy Director of the IMF's Middle East and Central Asia Department, remarked that "the establishment of a monetary union in a few years will likely spur institutional reforms and raise the growth potential of the GCC."

On good governance, participants broadly agreed that it was key to better economic performance and that legislative and advisory bodies should take a proactive role. Graham Hacche, Deputy Director of the IMF's External Relations Department, noted that "a significant part of the gap between the region's economic performance and potential could be bridged by improving governance further, including by strengthening institutions."

The seminar was the first parliamentary session to be held under the joint IMF/AMF Regional Training Program. The IMF held its first parliamentarians' seminar in the region in March 2004 in Beirut, with participants from Egypt, Jordan, Lebanon, Syria, and the West Bank-Gaza. Another is planned this year for the Maghreb. Dr. Jassim Al Mannai, AMF Director-General, and others noted how frank and useful the discussions had been. Participants welcomed the IMF's effort to enrich and broaden its own understanding of the institutional and policymaking environment. ■

Arabs back economic reform

A poll of 2,600 adults in Jordan, Lebanon, Morocco, Saudi Arabia, and the United Arab Emirates in June–July 2004 showed that expanding employment, improving health care, and increasing educational opportunities ranked the highest—alongside resolving the Israeli-Palestinian conflict—among the 10 most important issues to people in the region. The survey, conducted by U.S. polling firm Zogby International and commissioned by the Arab American Institute, showed that "Arabs want reforms—reforms related to the quality of life," said John Zogby in a recent presentation to IMF staff. "Political reform is not unimportant, but there are priorities. They want health care, education, employment," he said. Also among the top 10 concerns were curbing extremism and promoting civil rights, democracy, political reform in general, women's rights, and political debate.

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