

BOARDS OF GOVERNORS • 1997 ANNUAL MEETINGS • HONG KONG, CHINA

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

INTERNATIONAL MONETARY FUND

Press Release No. 31

September 23 - 25, 1997

Statement by the Hon. **RACHID HWAISH**,
Governor of the Bank for **IRAQ**,
at the Joint Annual Discussion

Statement by Dr. Issam Rashid Hwaish
Governor of the Central Bank of Iraq and
Governor of the World Bank for Iraq
at the
Annual Meetings of the World Bank and IMF
Hong Kong, 1997

Mr. Chairman, Governors, ladies and gentlemen:

I would like to begin my brief remarks by congratulating you on your election to chair the 1997 joint annual meetings of the Board of Governors of the IMF and the World Bank Group. I take this opportunity to add my voice to those of my colleagues in expressing our thanks and appreciation to Hong Kong for hosting this year's meetings, the largest international economic gathering, after joining the People's Republic of China.

Mr. Chairman, in previous years, and at these same meetings, the Iraqi delegation has brought to our attention one of the most important purposes of the IMF, as stated in paragraph 4 of the Articles of Agreement: eliminating the restrictions that hamper world trade. Today once again, I wish to affirm that the continued economic sanctions imposed on Iraq since 1990 and the freezing of its banking assets are incompatible with the Articles of Agreement and the general philosophy of the Fund. As Iraq is a founding member and one of the nations that signed the Bretton Woods agreement in 1945, we urge the IMF to condemn the continuation of economic sanctions against Iraq, based on their incompatibility with the Fund's purposes of eliminating trade restrictions and promoting economic stability and prosperity for all the nations of the world.

The economic sanctions imposed on Iraq have greatly affected the lives of its people and hindered the country's development, as can be seen from the direct effects of sanctions on the production of goods and services in all sectors of the economy, from rising inflation and the resulting negative impact on family income, and from the severe shortages of medicines and medical supplies that have resulted in rising death rates in all age sectors, not to mention pollution of the environment and its negative effects on the quality of life in Iraq.

Mr. Chairman, despite the expiration of the first phase established by the memorandum of understanding between Iraq and the United Nations, signed in March of 1997 and permitting Iraq to export limited quantities of oil, and despite the renewal of the memorandum in August 1997 for an additional six months, the situation in Iraq remains very difficult. During implementation of phase one, many difficulties were encountered in the contracting process. Three months after the expiration of phase one in June of this year, the import program for crucial items has still not been implemented and contracts have been suspended without justification—despite the urgent need for these items—owing to the position of certain countries that have placed obstacles in the path of its implementation.

From this international forum today, we call for measures to ensure the rapid implementation of contracts to purchase food, medicine, and other basic necessities, in exchange for oil exports, in accordance with phase two of the memorandum of understanding.

Mr. Chairman, after seven long years of sanctions against my country, which are without precedent in modern history, and in view of our patience and continued efforts to implement the relevant Security Council resolutions, the international community and its representative institutions are demanding a review of our experience with the commission responsible for implementing the terms of the sanctions against Iraq and a revision of their operating methods. A new and just system must be developed that will prevent any of the commission's members from using the right of veto or creating delays and obstacles, whether for political purposes or for any other reason, to obstruct the importing of goods or the provision of services crucial to the lives of an entire people who are members of the international community.

Once again, Mr. Chairman, I appeal to the IMF and the World Bank, based on the principles of their Articles of Agreement and the Declaration on Partnership for Sustainable Global Growth, approved by the IMF's Interim Committee on September 29, 1996, to call for an end to the economic sanctions imposed on Iraq and the freezing of its assets. I also appeal to the Governors of our financial institutions, Ministers of Finance, and governors of central banks, to invite your governments to work together to lift the sanctions and end the suffering of an entire population caused by the deterioration of their economic and social conditions. Implementation of the memorandum of understanding signed by the Secretary General of the United Nations has not been sufficient to halt the continuing deterioration of the quality of life in Iraq, and the continuation of sanctions will lead to an immense human tragedy, unless measures are taken to end this abnormal situation, after Iraq has fulfilled all its obligations in accordance with the relevant resolutions.

Mr. Chairman, most developing countries currently face the prospect of deteriorating production systems, caused by the threat of free markets and prohibitions against any financial or administrative restrictions on the transfer of goods to world markets and against subsidizing goods produced for export. Faced with higher costs and lower technical standards, our production installations will encounter many difficulties caused by application of the Gatt agreement and membership in the World Trade Organization. That is why the IMF and the World Bank are calling for added support for the efforts of developing countries to make the necessary adjustments and develop their production systems, thereby increasing their ability to penetrate world markets and meet the challenges of free trade.