

**The Trends in the Global Economy
What Implications for the Region?**

**Some General Remarks*
About
The Trends in the Global Economy
What Implications for the Region?**

Honorable Guests

Ladies and Gentlemen

Ever since the collapse of the eCom companies, the world economy has passed through strong volatilities whose impact was the strongest in the most advanced economies. However, the world economy, as a whole, proved to be resilient and capable of absorbing the shocks mainly from the burst of the bubble in the equity markets. The surprisingly strong recovery in the first quarter this year has been followed by concerns about the pace and durability of the global recovery. Financial markets have weakened, with equity markets having fallen sharply since end-March, accompanied by a depreciation of the U.S. dollar, financial conditions for a number of emerging market borrowers, especially in South America, have weakened, and current and forward-looking indicators for the United States, Europe, and several other regions have fallen short of expectations.

Against this background, the IMF forecast that the global economic growth would rise to 2.75% in 2002 and to 3.75% in 2003.

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The dominant economies, especially that of the United States, the Euro Area and Japan are still struggling to shake off the spillover effects of the equity markets dramatic fall, weak domestic demand, and hesitant investment commitments.

Latin America region witnessed sharp deterioration of economic conditions over the past six months. However, some individual economies within this region have been quite resilient to recent pressures, and investor sentiments have improved, aided in part by support from the Fund.

In contrast, growth in emerging Asia has picked up markedly, with substantial improvement among

countries oriented to the information technology sector. And in addition to the remarkable improvement in the external balance, there are signs that domestic demand, strongest in China, India and Korea, is now picking up in other countries in the area.

In the Middle East, and particularly, the oil producing countries, oil price developments continue to have an important influence on conditions and prospects. However, growth in this region may be held back by regional security concerns and conflicts. The IMF forecast, for the Middle East (Turkey included), rates of growth in the order of 3.6% in 2002 and 4.7% in 2003 compared to 4.7% and 4.9%, respectively, in the newly industrialized Asian economies.

Looking to the future the world economy, and the Middle East region in particular, remains subject to unusual uncertainty. The world economy, as a whole, depends heavily on the United States economy. Oil prices could rise sharply if the security situation in the Middle East deteriorate further. The world financial markets remain volatile. A number of emerging market economies remain particularly vulnerable to a further retrenchment in risk taking. Lastly, the global imbalance remains a source of concern as the possibility of a sudden adjustment can not be ruled out.

I think I have already aroused your attention and concerns to the point that you are ready to hear more and in detail, about these subjects from our distinguished speakers.

I turn the microphone now to:

Mr. Kenneth Courtis, Vice Chairman,
Asia, Goldman Sacks, Japan.
Mr. Courtis (from the CV).