

International Monetary Fund Managing Director Christine
Lagarde

Lara Alameh:

Hello, everyone. If I can just ask everyone to take their seats and quiet down a bit, and we can go ahead and get started. Thank you, everyone. My name is Lara Alameh, and I am the executive director of the Safadi Foundation USA. On behalf of the foundation, I would like to thank you for all being gathered here today. We are grateful to the Wilson Center for hosting this conference, and I express my warmest thanks to my partners at Stanford and CIPE. Abdul and Lena [spelled phonetically], I just want to thank you for helping make a dream come true today. It's simply amazing, and my greatest appreciation. Thank you.

[applause]

I would also like to pay special recognition to the representatives from the U.S. government, World Bank, IMF, and the diplomatic community that are here. We are delighted to welcome over 25 diplomatic missions from across the world, including 14 ambassadors, who have taken the time out of their busy schedules to be with us today.

We had an exceptional day featuring two panels, one on regional Arab reform and another on economic development and energy reform in the Arab world. Now we will soon hear from His Excellency, Mohammad Safadi, Minister of Finance from the Republic of Lebanon, who will present awards to our Safadi scholars. And then, our featured keynote speaker, Madame Christine Lagarde, managing director of the International Monetary Fund, who will be shortly introduced by Ambassador Gildenhorn.

But, first, a few words about the initiative we are honoring today. The Safadi Stanford Initiative for Policy Innovation is a partnership between Safadi Foundation USA and the Program on Arab Reform and Democracy at Stanford University's Center on Democracy, Development, and the Rule of Law, that aims to promote viable policy recommendations concerning governance issues in Lebanon and the Arab world. The initiative selects scholars on a competitive basis and publishes their research and findings to be disseminated in the policymaking community. The purpose is to promote new

thinking and bridge the gap between development and governance in the Arab world.

And, now, it is truly an honor and pleasure to present to you Minister Mohammad Safadi. For those of you who do not know him, Minister Safadi is a reform-oriented leader from Lebanon. He has served his nation in four different governments. In addition, he heads the Safadi Foundation in Lebanon, which had greatly improved the livelihoods of Lebanese citizens through its education and job training and women empowerment programs, so it brings me great pleasure to welcome His Excellency, Minister Mohammad Safadi. Thank you.

Mohammad Safadi:

Ladies and gentlemen, I'm back.

[laughter]

Thank you, Lara, and, again, I want to express my gratitude to the Wilson Center, Stanford, and CIPE for their support. Today we will be hearing from an exceptional leader, our special guest, Madame Christine Lagarde, Managing Director of the IMF. I know we are all eager to hear her remarks concerning development and governance in the Arab world, but, first, allow me a few short words about my country, Lebanon, and the launch of the Safadi Stanford Initiative for Policy Innovation.

When I last spoke at the Wilson Center in March of 2010, I discussed the topic of reform in Lebanon, and the question I posed was whether or not reform is possible. And, now, the question I pose before you concerning not just Lebanon but for the region as a whole in the wake of the Arab Spring is how democracy and good governance are possible in ethnically and/or religiously divided societies. I believe this will be the question that will require our attention for the years to come if we are to see successful democratic transitions in the Arab world.

This is one of the most delicate challenges ahead for emerging Arab governments rebuilding their societies. Lebanon has been a democracy. It is a democracy, and we want Lebanon to remain a democracy, despite the many internal and external challenges it has faced since independence in 1943. Lebanon was the only Arab democracy in the region of authoritarian rule, and, today, it

continues to face even more complex challenges resulting from the pending instability and turmoil in the region.

The current coalition government came about through a democratic process. Since then, it has been faced mounting pressure as a result of the forced label [spelled phonetically] that is a Hezbollah government. The reality is that this government emerged with the national interest in mind, to protect Lebanese citizens from rising tensions and fears of a return to [unintelligible] and to reduce the increasing polarization of Lebanon's society. Upon this information, this government pledged to support a governance agenda that would meet the demands of citizen's needs and fulfill its international commitments.

I myself have served in four different governments, including twice under former Prime Minister Siniora, once under former Prime Minister Saad Hariri and now in the coalition government led by Mr. Mikati, all of which had marginal representation by Hezbollah. The policies of this cabinet are no different than any preexisting cabinet, with the exception that it has been able to advance important reforms that will possibly impact the daily lives of Lebanese citizens.

The current government has demonstrated its commitment to uphold its international obligations by executing and securing its contributions to the special tribunal for Lebanon. In addition, this government built upon the work of the previous government by passing the Electricity Reform legislation through parliament. At the same time, the government is moving forward with legislation to implement electoral reform and a message of decentralization, both of which will encourage the representative nature of Lebanon's democratic system. This is not a Hezbollah government, not by vision nor by action. Rather, its policies reflect sustaining Lebanon's democracy and strengthening its institutions.

Lebanon needs support from its friends to continue the development of its citizen-based approach this government is fighting hard to represent, and that brings me to the reason we are all here for today, to launch the Safadi Stanford Initiative for Policy Innovation, which is designed to bring to the surface the voices of young and emerging scholars. The initiative seeks to find answers and solutions to challenging questions, like how democracy

can be achieved in societies that are weakened by factional, ethnic, and sectarian divisions.

Today, we are honoring our first Safadi Scholar of the year, Mrs. Katarina Hasbani, and the Safadi Scholar first runner up, Ms. Miriam Allam. Katarina is a lecturer at the American University of Science and Technology in Beirut. I understand she recently moved to Dubai. Miriam is an economist at the OECD. Katarina's paper on energy reform in Lebanon and Miriam's research on public consultation in the rulemaking process marks the launch of this important initiative, and I invite them both up now to the podium so I can present them with their awards. Thank you very much. Thank you.

[applause]

This, Katarina. Thank you both [spelled phonetically].

[applause]

Lara Alameh:

And now we're going to ahead and enjoy our lunch, and soon we'll have Ambassador Gildenhorn introducing Madame Christine Lagarde. Thank you. Enjoy.

Joseph Gildenhorn:

Good afternoon, everyone. On behalf of the Woodrow Wilson Center, we're just so pleased to host this very, very important conference, and we thank you all for coming. I'm Joseph Gildenhorn. I'm Chairman of the Board of the Trustees of the Wilson Center, and I thank you for being here.

The Wilson Center is the national living memorial honoring President Woodrow Wilson, and it provides a strictly non-partisan space and venue for the interactions of the worlds of policy and scholarship. By conducting relevant and timely research and promoting dialogue from all perspectives, it works to address the critical current and emerging challenges confronting the United States and the global community.

2011 has proven to be one of the most important years in the history of the Wilson Center, and I'm pleased to say that we have a new President, CEO, former California congresswoman Jane Harman. And under Jane's very, very

dynamic leadership, the Wilson Center is currently implementing exciting changes in its evolution as one of the most [unintelligible] organizations of its kind in Washington. The Center has a particular focus on increasing its role in today's critical policy debates, not only here in Washington, but around the world.

Today, it gives me great honor to introduce to you Madame Christine Lagarde, the Managing Director of the International Monetary Fund, who actually gave her first speech last September here at the Wilson Center, and we're delighted that you've come back here, and we look forward to your remarks.

Madame Lagarde is a lawyer by training, having studied law and political science in France, and she joined the prestigious international law firm of Baker & McKenzie as an associate, specializing in labor, antitrust, and mergers and acquisitions, and she eventually became chairman of the firm's Global Strategic Committee in 2004. Madame Lagarde joined the French government in June of 2005 as Minister for Foreign Trade, and in June 2007, she became the first woman in France to behold the post of Minister of Finance and Economy. And, in the more recent 2008, 2009 global financial crisis, Madame Lagarde representing France as a member of the G20 was intricately involved in the group's management of this very difficult and complex economic situation.

In her position, she helped in a major way to foster positive international policies related to financial supervision and regulation. Madame Lagarde became chair of the G20 when France took over its presidency just this past year, and in her prestigious position as chairperson, she launched a wide-ranging work agenda dealing with reform of the international monetary system. And this past July, Madame Lagarde began her tenure as Managing Director of the International Monetary Fund during a most challenging time in the global economy.

Among her many accolades, Madame Lagarde is, in the year 2000, was named a knight in the French Legion of Honor, France's highest decoration. In 2009, she was ranked the 17th Most Influential Woman in the World by Forbes Magazine. And, just a couple weeks ago, I read that you were selected as one of the most powerful persons on earth, and that's --

[laughter]

That's a real accolade. She was also selected by Time magazine as one of the Top 100 World Leaders. I could go on and on because her accomplishments are so enormous, but I would like to call Madame Lagarde to the rostrum, and we thank you for being here.

[applause]

Christine Lagarde:

Thank you very much, Monsieur Ambassador. It's a very pleasant time to be introduced by you, actually, in case I'd forgotten all these wonderful accolades and awards and recognitions.

I would like to first of all apologize to you because I arrived a little bit later than expected, and, as you can imagine, there are a few things on everybody's agenda, but mine at the moment is quite busy with a few things as I've had to deal with many corners of the world, but, in particular, the European corner on which I will make no comments and will take no questions.

[laughter]

So, for those of you who are only interested in that and who came to that lunch only for that, you might be disappointed, or else you may want to take a chance to go now.

[laughter]

But, there might be good things coming up of the speech.

I would like to say a personal thank you to my colleague, I should say former colleague, because we were both ministers of Finance at the same time, and I decided to quit that club, but certainly did not quit the friendship, and I would like to thank His Excellency, Mohammad Safadi, for his invitation. I would like to obviously recognize and thank all the organizers, the Safadi Foundation, represented by you, Madame, in the United States as I understand; Stanford University Center on Democracy Development and the Rule of Law; the Center for International Private Enterprise; and, last but not least, given that you are hosting us and you are tolerating me

here for the third time, the Woodrow Wilson Center, and I would like to say thank you to you, Monsieur Ambassador, and ask you to convey my warm thoughts to Jane, who hosted me recently with a group of women.

I promise not to abuse your hospitality, though, because it wouldn't be appropriate.

When I was last here, actually, in September, I focused on the challenges of the world economy. And, today, what I would like to try to do is focus exclusively on the historic transformation that has taken place, is taking place, and will continue to take place in the Middle East and North Africa. And, obviously, I am doing that as a human being, feeling warmly and strongly about certain things, but obviously also, more importantly, I suppose, as Managing Director of the IMF.

And I would like to, in so doing, look at it from two perspective. First of all, take stock of what has happened where we are in terms of what some would call the Arab Spring. We stand now virtually one year later, and it's good to sort of pause and try to assess where we are and what is the current situation, and then second address the economic challenges that certainly will lay the foundation for the future of that part of the world. It will not be the exclusive one. There will be many other components in this equation, but the economics and the reality of the daily life of young people looking for jobs, of entrepreneurs wondering whether they should invest, and women wondering how their children will be educated is obviously critical for redefining the future.

And, clearly, that's what we are seeing at the moment, this rejection of the past that has taken place and that has unfolded over the last 12 months, and the definition or the redefinition of the future, which is full of promises but full of very, very hard work as well. And, you know, there is an expression, which I might use in French, and I apologize for those of you who do not speak French. It's okay. You are forgiven.

[laughter]

But, it's this very enigmatic sentence by Lampedusa in the novel *Le Guepard*, where he says, "Pour que tu change, il faut que rien ne change." You know, "For everything to

change, nothing should change." And that's a very interesting paradox, and yet one that, in my view, applies beautifully to the unfolding of events as we saw them in what was called the Arab Spring. Maybe it should be put in the past. It's because nothing had changed, but everything had to change.

And it looks as if a lot of things have changed in the Middle East, but at the time, very few realized where the journey would lead. And when past Mohammad Bouazizi, the young Tunisian street vendor, set himself on fire last year, who could have predicted that his tragic death, him taking his life away, would herald a whole new Middle East? Who would have foreseen that this act of desperation against a violation of human dignity would ignite a flame that would eventually illuminate the entire region, toppling governments and leading to mass awakening of social consciousness.

This much is clear: the Arab Spring embodies, and some of you are much better positioned than I am to say so, but this embodies the hopes, the dreams, the aspirations, the expectations of people yearning for a better way of life, yearning for a greater freedom, for greater dignity, and for a more widespread and fairer distribution of economic opportunities, and this was particularly true for the younger generation that represents, as you all know, a very significant chair of the population in most of those countries. One might dispute anywhere between 30 percent and 40 percent, depending on where you set the bar, but it's a significant number of the population.

And, today, as we look back, a year has passed, and the state of play remains very uncertain. Spring has naturally turned to autumn, and autumn will eventually turn to winter, and people feel uneasy and they grow impatient, particularly the young population. And this is obviously to be expected. Momentous changes of the sort that we witnessed, the making, the moulding of a new society, that is never smooth. That is never easy, and they're almost always mess and massive complications.

But, still, it is fair to say that the setbacks that we are seeing today that are very much commented upon have been higher than expected. It's always been clear that each country must find its own path, and that is clearly the viewpoint that took some of the Western leaders, vis a vis

those countries. You have to develop your own model. You have to turn your future into what you want it to be. It's not for us to do so, and the pace of change will vary from country to country. But few predicted the size of setbacks or the intensity of the disruptions. And here I am obviously thinking of those lives lost in places like Libya, like Syria, like Yemen, and such violence against civilians is just never, never acceptable, and it's always a blight on humanity.

Now we're moving, moving ahead, into the most difficult period of all, because it's the middle of this delicate transition between rejecting the past as we witnessed and forging the future, as local populations wanted, as we, if we're not local, wanted to see happen, and it's a difficult time. As wonderful Lebanese poet Khalil Gibran said, "Yesterday is but today's memory, and tomorrow is today's dream." And this is what we are seeing and folding [spelled phonetically], and it's a risky and uncertain period, and it's a period when hard choice must be made. When the post-revolutionary euphoria must settle, and when unfortunately practical concerns, day to day life, the urgency of the matters actually arise, and it's time for actually trying to accommodate that and to mould the future.

It will be important to match this transition in an orderly way, and I would like to pay special tribute here to the people of Tunisia who are going through it very smoothly. Of course it's easy to, you know, say it from a distance, but much more smoothly than in other corners, through an inclusive process of transition. And just as Tunisia provided the first spark of the Arab Spring, soon now it can be light for the path that is to come in other countries of the regions, in the region.

I used to say, I say, and I will continue to say that I am desperately optimistic in the face of reality, whatever that reality is, whether it's the Middle East and Africa, whether it's Europe, because as you know there's no difference between the optimist and the pessimist. They both get it wrong, but the optimist is happier.

[laughter]

So, I've made my choice -- optimistic, and desperately optimistic.

And this better future for all is going to rely, as I said, on economic foundations as well as the political dimension that I will not discuss here, because my job at the moment is to focus on economics and financials.

So, let's turn to, you know, the economic challenges that the region faces. We at the IMF, probably more so than at the World Bank, who is present amongst us, we focus on the top lines, sometimes on the bottom lines, not so much as the corporate sector would say, but we focus on the lines. We are focused on numbers. We focus on statistics. And I think we were certainly not the last ones to predict that there was a ticking time bomb of high youth unemployment in those countries that we are talking about, the Middle East and North Africa. But, let's face it. We were not the first one, and we were certainly late in recognizing that there was an issue about unequal access to opportunities for all, and the issue of appropriate allocation of resources amongst the population. We were not paying enough attention to how the fruit of economic growth were being shared, and it's now much clearer, including through studies and empirical research that we have conducted. It is much clearer that more equal societies are associated with greater economic stability and more sustained growth. We've actually published those studies, and they are available, including an executive study that is easy to read on the IMF website, because we think that it's an important dimension that has to be taken into account in that region of the world as well as in other regions of the world.

Because the overarching goal from an economic perspective for the Arab Spring remains clear, it has to be higher growth, but it has to be growth that creates job growth that is shared equitably amongst all strands of society. In other words, job creating and inclusive growth will be the conditions for economy to actually take roots in terms of growth for the future.

But how do we get there, and how do we turn the dreams of the Arab Spring into an economic reality? Because the risks are not only political, and I'm sure it's very much on the mind of some of you, but there are also economical and financial, and it's very much intertwined. One will go with the other, and vice versa. We are already seeing, and it's not so much because of the internal aspects and

dimension of the problem, but also because of the externalities, what is happening around the Middle East at the moment, but we are seeing economic downturn across the oil-importing countries, in particular, that is pushing up already high unemployment and making social tensions worse.

Now, these risks must be managed very carefully, and in this context, I would like to just identify two things. The macroeconomic stability and this concept of inclusive growth, and then I'll conclude with what the international community, including international institutions, such as the IMF can do. I promise I'll be relatively brief on all those points, because we could talk forever about it.

But, turning to the macroeconomic and financial instability, those are two cornerstone of decent transition, and the possibility for people to actually see that there is a way forward, that there is light at the end of the tunnel, and without that secure foundation that is based on this macroeconomic stability and financial stability, the aspirations of the people will not be responded to.

Now, if we look at what has taken place, and if we look at the macroeconomic policies and the financial policies, very much so far it has been a question of dealing with the immediate, urgent needs of the people, and in so doing, the governments have increased subsidies, in many instances have increased wages, although sometimes they have been sensible and reasonable in responding to the massive demands of population. They've increased spending to help the less privileged people face the hardship of day to day life, and that was needed. You know, the IMF does not say that it was the wrong thing to do. That was needed for social cohesion purposes.

But, it does come with a cost, and that cost has really depleted some of the buffers, some of the reserves that those countries had, and it raises concern about the sustainability of the model. It pushes up interest rates. It makes it harder for the private sector to get credit or to expand businesses, and, therefore, start creating value and hiring people, which is, let's not forget about it, one of the most important achievements by which those governments will be judged by their population, particularly the young population.

So, from the France perspective, governments now in those parts of the world need to work towards more sustainable fiscal policies. Now, how is that done, because easier said than done. There is still that very strong demand from population. From our point of view, and with the people that we have on the ground in the fields helping and assisting, it has to be through better targeted policies, better targeted subsidies. So, instead of having sort of those wide-range of grounds and subsidies that go equally to the less privileged and very privileged, it has to be much better targeted for those with low income or no income at all, because that will be, in our view, the foundation for better growth. Appeasing the populations that are most in need and putting the burden where it should be, that those that can afford, actually, living without subsidies actually do not have to benefit from those practices.

That's as far as the macroeconomic policy is concerned -- focused, very targeted fiscal policies that will actually support the social cohesion, but with a view to really using resources in a very, very careful and very targeted way, not in a sort of wide-ranging, with a wide-ranging approach.

Second point which is important, what I call the inclusive growth, and here governments can do a lot without paying so much and not, you know, drawing on their budgets, because what they need to do is to encourage the private sector to get involved. It's the private sector in most of those countries that will actually create jobs, create opportunities, and invest locally. To do that, it's very simple. Any of you who is in the business or who has been in the business or will be knows that it requires predictability, legal and tax stable environment, and, more importantly, no corruption, and the fact that those loopholes, those little turf areas that have been protected by those enjoying privileges over many, many, many years have to be eliminated. As Lampedusa said, "Pour que tu change, il pour que rien ne change," now it is time to actually change the entire equation to actually encourage people to invest, to encourage the private sector, to create those 50 to 70 million jobs that are needed for the people joining the labor force to actually get jobs and in order to reduce unemployment over the next decade.

And, again, to do that, what's needed is not so much what was wrong with the past, what must we sort of take down,

but how do we build a future, and how do we organize those economic factors? Now, what can the international community do? And I will not focus on what either private or international donors can give on a bilateral basis, because there are many initiatives that have been taken, particularly within a subset of the G20 to actually encourage the investment and the appropriate foundation. I will not dwell on what the World Bank can do or has done or will do because the World Bank can speak for itself, but I will just say that we have a responsibility to help collectively, and identifying, earmarking funds is one thing. Facilitating trade, removing barriers, removing non-tariff barriers, and making sure that those countries can actually export, can actually trade, and can actually be engaged in things that they knew, they know very well how to conduct, that is, business, is also one thing that doesn't cost much in the short term and that can facilitate and leverage the investment in those regions.

The second thing that, of course, I can focus on is what the IMF can do, and the IMF, as you know, is a Jack-of-all-members, not all trades. We are only in three different categories of trade. We provide technical assistance, we provide surveillance, advise recommendations guidance, and we lend funds to those countries that need it because they have balance of payment issues or problems [spelled phonetically], and we shall do so, and we have identified a rough envelope of about \$35 billion that would be made available to those countries that are part of the MINA [spelled phonetically] exercise that is conducted at the G20 and subset of the G20 level.

But, we also, on a day to day basis, and currently do a lot in terms of technical assistance. For instance, we are helping Egypt at the moment make its tax system more equitable. We are helping Libya develop a modern system of government payments. We are helping Tunisia improve its financial sector, and we are helping Jordan with fuel subsidy reforms. Those are areas that are critical on which we have expertise because we have done it before in other corners of the world and where we can help.

As I said, from a financial point of view, we just stand ready to help any of those countries that requests our support together with our guidance as to what will be most helpful in terms of setting out the economic map so that

going forward there is actually a future that young people will look forward to.

A lot of things seem dark at the moment, wherever your eyes will take you, and yet there is still that light that was started in those dramatic conditions in Tunisia, and it has to continue to brighten and to enlighten us and to make sure that we understand that that light that was started there will continue to shine and to illuminate us, illuminate us. It's a region of the world that stands at the center of human civilization, names like Carthage, [unintelligible], Alexandria, Damascus, Beirut, are forever etched in our collective consciousness, and the time has come for the region to live up to that legacy.

I cannot finish without quoting the same poet that I quoted earlier, Khalil Gibran, "March on. Do not tarry. To go forward is to move toward perfection. March on, and fear not the thorns, or the sharp stones on life's path." I cannot top that. Thank you.

[applause]

Joseph Gildenhorn:

Madame Lagarde has graciously agreed to take a few questions, but they should be limited to the discussions today in the Middle East and not Europe. So, [unintelligible].

Please identify, those asking questions identify themselves.

Holly Spandeu [spelled phonetically]:

I'm Holly Spandeu from the Wilson Center. Mr. Ghannouchi was here last week, and he made the rounds, and he said when the revolution started, there were 400,000 unemployed in Tunisia. Today, they have a million, and the priority, if his party forms the government, is going to be take drastic measures for the economy, including creating a safe environment to bring back investment.

In your experience, is that possible to do it within the next six months, because he was hoping that, you know, in the next parliament they really, elections, they would win really a substantial majority, but is it possible to deal with the current problems of Tunisia, and, because you mentioned that the IMF is involved, to help them out of

this current position, given your optimism?

Christine Lagarde:

Well, what I can say about Tunisia and any other country that is going through the process is that the route that they have taken and the resolution, the solidity and seriousness with which they are tackling their problems is certainly the more, the most convincing argument to encourage investors to come back to Tunisia for those of them who had left, because, you know, the process is always the same. In case of trouble, in case of threat, investors go away. They leave. The moment they see that calm is restored, that institutions are going to be in place, that predictable governments will be in charge, that there is an economic platform that associates, you know, foreign direct investment capabilities and hospitality, I was going to say, as well as qualified labor, they will come back. But, I'm convinced that as far as Tunisia is concerned, if it proceeds along the lines of, you know, what we have seen lately, I'm sure that investors will come back. Let's not forget either that a lot of Tunisians are outside of Tunisia, and the amount of remittances will also increase when they understand that, you know, the remittances will be safe, will be directed where they are to be directed. Tourism will also, you know, pick up and come back in Tunisia. A lot of, there's been a lot of sort of diverted investment, tourism, transfer of money to that country that, in my sense, will be just reactivated as a result of what we are seeing developing in Tunisia.

Joseph Gildenhorn:

Yes? Microphone you.

Mahra [spelled phonetically]:

Thank you. Mahra from the Counsel of Woodrow Wilson [spelled phonetically]. You had mentioned that you help some countries in the Middle East, part of it financial help. Do you, the IMF, do they take measures to control the corruption and not to abuse these aids by, you know, do you have measures to take into --

Christine Lagarde:

The way the fund lends money is guaranteed by two sets of policies, if you will. The first one is that we define together with the authorities an actual program, which includes the steps that will be taken by the government to restore the economic situation, which is predicated on

sometimes judicial reforms, for instance, or, you know, very social, reforms that have a social dimensions, that are not just exclusively focused on restoring public finances, for instance. So, that's number one.

Number two, we release only tranches of the loans that we put in place, and, number three, we only release the next trench once we are certain on the ground, in the country, that the conditions that were put in the program are actually satisfied and that there is performance of the obligations by that country. But it's obviously within mind the fact that a new map is being put in place in countries such as Tunisia, such as Egypt, such as Libya, and so on and so forth, that we would design programs. We have not done so because we have not been requested to do so, but, if we were, certainly that would be part of the equation.

Joseph Gildenhorn:
This gentlemen.

Abdulwahab Alkebsi:
Yes. My name is Abdulwahab Alkebsi with the Center for International Private Enterprise. Madame Lagarde, thank you for a fantastic, fantastic presentation.

What's going on right now in the Middle East where change has happened or where countries are trying to avoid change, some of the demands are for more government employment, for more subsidies, and some of the responses, whether in the Egypt or Tunisia or in Jordan or Oman has been for more of that, more employment at the Ministry of Interior, more subsidies for bread, more subsidies for gasoline, et cetera. And, if you couple this with nationalism, sometimes from the government perspective, we're not going to let the IMF tell us what to do. We're not going to tell the United States twist our arms to change. How do you deal with that? How are you able to deal with that and try to help them to reform so the change is better for the future, not just for the short-term responses? Thank you.

Christine Lagarde:
I think the best way to convince that we can be of help, and here I'm obviously speaking for the IMF is to actually demonstrate through our technical assistance programs that we are not there to interfere, we are not there to take

over, we are not there to, you know, as power holders, but we are there to help and support and assist, and it's on a pure voluntary basis that we come in. We don't impose anything. We offer. The fund that we make available is the fund of our members, all the countries that we have in mind and that we are talking about are members of the IMF, so they belong to the community of the IMF. So, technical assistance, voluntary basis, part of the same family, and, fourth and probably foremost, the fact that in other corners of the world were not exactly similar changes, but major changes sometimes have taken place, and I'm here thinking about central and eastern Europe, for instance, or the Baltic countries. Programs have been put in place in good understanding and in good partnership with the local authorities and have actually worked.

So, this issue of the stigma that you, you know, that is often discussed is best defeated by, you know, we are not here to impose. We are here to serve, but you're going to help yourself, and as you help yourself, we will be able to help as well, and once the help is given and the result is on the table, then it's all yours. It's not ours. We step out and go away.

Joseph Gildenhorn:

You have time for two more questions?

Christine Lagarde:

Yes.

Joseph Gildenhorn:

Lady there, and the ambassador. Go on.

Aman Modeli [spelled phonetically]:

Thank you. Hello. My name is Aman Modeli. I'm adviser to Prime Minister Hariri of Lebanon. We thank you for your leadership and thank you for your presentation.

My question is related to assistance, economic assistance in the [unintelligible] region. In the atmosphere that's going on in Washington with the restrictions on financial and economic assistance, and we heard this morning that the United States is cutting down on assistance, and the Congress is looking to make clearly [unintelligible] there is no Marshall Plan for the Middle East that Europe had after World War II, and with the economic situation and the financial problems in Europe, do you think that this can be

done with the help only of international organizations like the IMF and other institutions? What kind of impact this crunch and economic assistance the region is having on getting this region out of the situation as it is now? Thank you.

Christine Lagarde:

Well, I can only speak for my organization, and as I mentioned to you, the IMF has earmarked \$35 billion that could be made available as loans to the countries that, you know, we have in mind. It's about five of them, if I recall. In addition to that, and in the context of what you refer to, that is less room in advanced economies' budgets; nonetheless, a lot of the advanced economies and a lot of the Gulf countries have committed a plan which is not insignificant and that can be drawn on. I think my recollection is that it's the African Development Bank that is currently holding the coordination efforts together, but there is a lot that is available. It doesn't necessarily have to be called the Marshall Plan, maybe another designation would be appropriate. But, it's not as if the international community was not making the effort to support what is happening in the region.

Joseph Gildenhorn:

Let this be the last question. Mister Ambassador?

Hussein Hassouna:

Merci, Madame Lagarde. I am Hussein Hassouna. I am from Egypt. I am the Ambassador of the Arab League in Washington. I want to know with the IMF being involved in so many regions at this moment, I think you were just in Latin America and Brazil with all of your activities there, you're also focusing on trying to save the Euro zone. At the same time, you are involved in trying to help the people of our region, and I'd like to thank you for what you mentioned about the region, its role in civilization and importance, many of our great thinkers.

But people sometimes feel in the region that there is a lot of talk, a lot of promises, but very little delivered to the people, and time is running out, because, as you mentioned, political and economic reforms go hand in hand, and as if you don't see some quick results, I think the economic situation will affect the direction of the political reform in all these countries.

So, what can be done quickly and instantly and not just have conferences? I heard once the former Prime Minister of Italy, Mr. Prodi, who was in Berlin, and he said, "Oh, great conferences, great pledges, great, but on the ground, nothing is happening." So, I don't know what your impression is. Thank you.

Christine Lagarde:

Well, I was going to turn the table over to you, because --

[laughter]

-- my door is opened. All we need is a request from a country to come in, help, and make funding available, and there are terms and conditions in the form of loans with, you know, very favorable of terms and conditions for the support. It has to be based on determination, a collective determination, that is generally based on the political agreement at the highest level and for which the population actually takes ownership. This is generally the concern of governments. They want to do it. They're not exactly sure who is going to be responsible. They understand that being responsible means being accountable, and they more importantly want the population to take ownership of the proposals, and that is something that we cannot engineer, that we cannot, you know, orchestrate. It's a local domestic responsibility that often takes political courage, but we can do a lot to accommodate, and we can do a lot to support. And, as I said, the IMF door is open.

[applause]

[end of transcript]