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International Monetary Fund  
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Washington, D.C. 20431 USA

**Communiqué of the Interim Committee  
of the Board of Governors of the  
International Monetary Fund**

1. The Interim Committee held its forty-eighth meeting in Washington, D.C. on April 28, 1997 under the Chairmanship of Mr. Philippe Maystadt, Deputy Prime Minister and Minister of Finance and Foreign Trade of Belgium.

2. The Committee welcomed the generally favorable prospects for the expansion of world output and trade. Improved discipline in fiscal and monetary policies in many countries has contributed to subdued or declining inflation and relatively low long-term interest rates. Substantial misalignments among major currency exchange rates have been corrected. The Committee agreed that exchange rates should reflect economic fundamentals and that the *reemergence of large external imbalances should be avoided; excess volatility and significant deviations from fundamentals are undesirable*. The Committee recognized the importance of cooperation in exchange markets as appropriate. Widespread structural reforms are enhancing the role of market forces and deepening globalization through trade and financial flows. Yet, policy challenges remain:

- Among the advanced economies, countries where growth has been relatively strong face the challenge of sustaining the expansion while preventing an upturn in inflation, and policies should continue to be directed towards these objectives. In Japan, prospects for continued recovery appear more favorable; rigorous implementation of the authorities' deregulation program as well as appropriate fiscal reforms are important over the medium term, to enhance growth. In continental Europe, the outlook for growth has improved but high structural unemployment points to the urgency of tackling labor market rigidities. The Committee also agreed that continued efforts to meet the convergence criteria and to proceed with comprehensive structural reforms in factor and product markets are needed for both the longer-term prosperity of the participating countries and to ensure a successful EMU that would contribute to the stability of the international monetary system.
- Robust growth is continuing in many developing countries. Growth in the Asian economies has remained strong for several years. The recent abatement of overheating

pressures in many of the emerging market economies, especially in Asia, will help to sustain their expansions, although some large current account deficits need to be reduced. With the sustained implementation of sound policies, growth in the Western Hemisphere and in the Middle East region is expected to strengthen further. The Committee was particularly heartened by the improved growth performance and prospects in Africa. It emphasized, however, that many developing countries have to raise substantially their growth rates of per capita incomes to achieve a significant reduction of poverty, indicating the need to accelerate structural reforms and for the increased support of the international community.

- In the transition countries, further progress in the control of inflation and continued advances in structural reform are laying the ground for stronger growth. However, sharp contrasts in performance persist among these countries, highlighting the benefits of steadfast commitment to stabilization and structural reforms.
3. The Committee agreed that the increasing globalization of markets is an important force driving world growth and providing opportunities to all countries. While globalization, as with other structural change, may adversely affect some segments of society in the short run, the declining share of manufacturing employment—deindustrialization—in advanced economies is primarily the consequence of technological change rather than globalization. The challenge for policies is to take advantage of the forces of globalization so as to ensure that its benefits are fully realized. The Committee re-affirmed that implementation by all members of the guidelines set out in its “Declaration on Partnership for Sustainable Global Growth” would be essential to ensure that all share in an increasingly prosperous world economy. It stressed in particular the importance of sound macroeconomic policies, market-oriented reforms, sound banking systems, trade and investment liberalization, and good governance.
  4. The Committee welcomed the strengthening of Fund surveillance to meet the new challenges of globalization. It supported the Fund’s increasing attention to banking and financial sector problems that could have significant macroeconomic implications. In this context, it emphasized the importance of close collaboration with the World Bank and other international organizations and groups. The Committee welcomed the Board’s decision allowing the release, on a voluntary basis, of press information notices following the conclusion of Article IV consultations, which would further improve the transparency of surveillance. It looked forward to a further report on members’ policies in the context of surveillance at its next meeting.
  5. The Committee was encouraged by the large number of subscriptions—presently numbering 42—to the Special Data Dissemination Standard. It noted the progress achieved on the General Data Dissemination System, and welcomed the General System’s emphasis on improving data quality across the membership, which would require a broad cooperative effort of the Fund and its members. The Committee looked forward to the establishment of the General System.

6. The Committee welcomed the progress made toward establishing conditions for EMU, the creation of which is one of the most important international monetary developments in the post-Bretton Woods period. The Executive Board will undertake a broad program to assess the implications of EMU for the international monetary system and for the Fund.

7. The Committee emphasized that an open and liberal system of capital movements was beneficial to the world economy. It considered the Fund uniquely placed to promote the orderly liberalization of capital movements and to play a central role in this effort. It, therefore, agreed that the Fund's Articles should be amended to make the promotion of capital account liberalization a specific purpose of the Fund and to give the Fund appropriate jurisdiction over capital movements; the scope of such jurisdiction would need to be carefully defined and sufficient flexibility should be allowed through transitional provisions and approval policies. The Committee asked the Executive Board to continue its work in this area with a view to making specific recommendations on key elements of an amendment by the time of the Committee's next meeting.

8. The Committee commended the Executive Board for its work on the Eleventh General review of Quotas. It requested the Executive Board to complete its work on quotas as soon as possible and to report to it in time for the Hong Kong meeting of the Committee. The proposed distribution should be predominantly equiproportional while contributing to a correction of the most important anomalies in the present quota distribution. The Executive Board should also review the quota formulae promptly after the completion of the Eleventh Review of Quotas.

9. The Committee welcomed the adoption of the Executive Board decision on New Arrangements to Borrow (NAB) and encouraged potential participants that have not yet adhered to the decision to do so as soon as feasible.

10. The Committee welcomed the progress achieved in the Executive Board toward a proposed amendment of the Articles of Agreement to provide for a special one-time allocation of SDRs and requested the Executive Board to finalize its work as soon as possible and to report to the Committee in time for the Hong Kong meeting.

11. The Committee welcomed the actions taken by the Executive Board to implement the Fund's participation in the HIPC Initiative through special ESAF operations. It noted with satisfaction the Board's decision in principle to provide assistance to Uganda under the HIPC Initiative and encouraged all other creditors to take equivalent action as soon as possible. It also welcomed the preliminary consideration by the Board of three other country cases under the Initiative and encouraged the Board to implement the Initiative in a manner that would ensure a robust exit from the rescheduling process. It stressed the importance of the provision of adequate interim financing by all creditors. The Committee noted the importance of strong adjustment and reform policies, as well as social policies, on the part of the countries benefitting from assistance under this Initiative. It called on the Fund, in collaboration with the World Bank, to help these and other developing countries accelerate the process of structural

reform. The Committee urged all members to work expeditiously to help secure the resources needed to complete the funding of the Fund's participation in the HIPC Initiative as well as the continuation of ESAF.

12. The Committee will meet again in Hong Kong on September 21, 1997.

## INTERIM COMMITTEE ATTENDANCE

April 28, 1997

### **Chairman**

Philippe Maystadt, Deputy Prime Minister and Minister of Finance and Foreign Trade of Belgium

### **Managing Director**

Michel Camdessus

### **Members or Alternates**

Ahmad Mohd Don, Governor, Bank Negara Malaysia  
Ibrahim A. Al-Assaf, Minister of Finance and National Economy, Saudi Arabia  
Jean Arthuis, Minister of Economy and Finance, France  
Erik Åsbrink, Minister of Finance, Sweden  
Aleke K. Banda, Minister of Finance, Malawi  
Carlo A. Ciampi, Minister of the Treasury, Italy  
E.A.J. George, Governor, Bank of England  
(Alternate for Kenneth Clarke, Chancellor of the Exchequer, United Kingdom)  
Rod Kemp, Assistant Treasurer, Australia  
(Alternate for Peter Costello, Treasurer, Australia)  
Chen Yuan, Deputy Governor, People's Bank of China  
(Alternate for Dai Xianglong, Governor, People's Bank of China)  
Rodrigo de Rato Figaredo, Second-Vice President and Minister of Economy and Finance, Spain  
Marcel Doupamby Matoka, Minister of Finance, Economy, Budget, and Equity Financing, Gabon  
Sergei Dubinin, Chairman, Central Bank of the Russian Federation  
Pablo Guidotti, Secretary of Finance, Argentina  
(Alternate for Roque B. Fernández, Minister of Economy and Public Works and Services, Argentina)  
Abdelouahab Keramane, Governor, Banque d'Algérie  
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank  
(Alternate for Mohamed Khalfan Bin Kharbash, Minister of State for Financial and Industrial Affairs, United Arab Emirates)  
Pedro Sampaio Malan, Minister of Finance, Brazil  
James A. Judd, Assistant Deputy Minister, Department of Finance, Canada  
(Alternate for Paul Martin, Minister of Finance, Canada)

Wolfgang Ruttensstorfer, Deputy Minister of Finance, Austria  
(Alternate for Philippe Maystadt, Minister of Finance, Belgium)  
Hiroshi Mitsuzuka, Minister of Finance, Japan  
C. Rangarajan, Governor, Reserve Bank of India  
Robert E. Rubin, Secretary of the Treasury, United States  
Kaspar Villiger, Minister of Finance, Switzerland  
Theo Waigel, Federal Minister of Finance, Germany  
Gerrit Zalm, Minister of Finance, Netherlands

**Observers**

A. Cornford, Senior Economic Affairs Officer for Banking and Financial Markets,  
Division on Globalization and Development Strategies, UNCTAD  
Andrew D. Crockett, General Manager, BIS  
Nitin Desai, Under-Secretary-General for Policy Coordination  
and Sustainable Development, UN  
Yves-Thibault de Silguy, Commissioner for Economic, Monetary  
and Financial Affairs, EC  
Mohamed Kabbaj, Chairman, Joint Development Committee  
S. Balabanoff, Acting Head, Economics and Finance Department, OPEC  
Jesus Seade, Deputy Director-General, WTO  
Kumiharu Shigehara, Head of Economics Department, OECD  
James D. Wolfensohn, President, World Bank