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Communique of Meeting of Economic Policy Makers in the Western Hemisphere Region

1. Building upon earlier meetings of hemispheric Ministers of Finance and the Interim Committee's call to strengthen regional surveillance, and in response to the recent turbulence in international financial markets, Fund management convened a regional surveillance meeting of finance ministers and central bank governors of the countries in the Western Hemisphere with greatest interaction with international financial markets (namely, Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Peru, United States, Uruguay, and Venezuela). The IBRD and the IDB also attended the meeting.

2. The purpose of the meeting was to discuss recent global economic developments and current prospects, their impact on the Western Hemisphere, and the strategies of the countries in the region to adapt to the more difficult external environment.

3. The officials met in Washington on September 3, 1998. The meeting will continue on September 4. They heard presentations of the management and staff of the Fund on the recent evolution of the world economy, and discussed regional developments and cooperation, as well as each country's current policies and prospects.

4. They noted that in recent years the economies of the Western Hemisphere had in general considerably strengthened their macroeconomic performance and made significant progress in structural reforms, notably in the public finances, the financial system, labor markets, social policies and social safety nets, trade regimes, the reform of the state, privatization, and the promotion of competition in domestic markets.

5. Over the past year, however, the economies of the region had been affected to different degrees by adverse shocks, namely: the sharp decline in commodity prices, particularly oil, the downturn in demand from Asian countries; the volatility of capital flows and adverse weather conditions.

6. The countries in the region had made efforts to adjust to the changed external environment, with policy responses varying in speed and content, reflecting individual economic, political, and social circumstances. These efforts were seen by the participants as critical to

preserve the progress the region had made in macroeconomic performance and structural reform, a fact that should be reflected in market assessment. Therefore, it was expected that most countries in the region would continue to show positive output growth, and low or declining inflation .

7. The authorities noted that the external environment had deteriorated further in recent weeks, especially reflecting market reactions to the crisis in Russia. Against this background they reaffirmed their commitment to promote sustained growth through:

- the pursuit of continued macroeconomic stability, through sound fiscal policies, appropriate monetary management, and the maintenance of their current exchange rate policies and regimes;
- the maintenance of open capital markets, and
- the continuation and deepening of their structural reform efforts.

8. Participants discussed each country's main current macroeconomic and structural policies and indicated that, if pressures were to intensify, they stand ready to adapt them, especially in the monetary and fiscal areas, as needed to preserve overall macroeconomic stability.

9. Authorities agreed on the importance of strategies to better manage risks associated with the volatility of international capital flows. In this regard, they called upon the international financial institutions to continue to look at possible ways to respond to such volatility and to report back on possible strategies and mechanisms.

10. The Fund management expressed support for the policies outlined by the authorities and confidence in their determination to carry out these policies in a timely fashion. The Fund is already supporting a number of the countries in the Western Hemisphere region with ongoing arrangements, and Fund management stands ready to recommend the strengthening and broadening of this support, if necessary. Participants welcomed this indication, and urged a prompt replenishment of the Fund's resources through the early completion of the pending increase in quotas and the ratification of the NAB.

11. Authorities concluded by affirming the value of ongoing regional surveillance and joint consultation. They agreed that this process should be continued in the period ahead and that a further regional surveillance meeting would be held in October in Washington at the time of the forthcoming Annual Meetings of the IMF and the World Bank.