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To: Members of the Executive Board

From: The Acting Secretary

Subject: Report on the 1995 Annual Meeting and Excerpts
from Speeches by Governors

The Board of Governors held its 1995 Annual Meeting in Washington, D.C., from October 10-12, 1995. The Annual Meeting was preceded by meetings of the Interim Committee and the Development Committee.

The Interim Committee met on October 8, 1995 with Mr. Philippe Maystadt as Chairman. The press communiqué of the Interim Committee was circulated as Fund Press Release No. 95/51 (Attachment I). On October 10, 1995, the Board of Governors heard a report by Mr. Maystadt, which has been circulated as Joint Press Release No. 5. The Committee agreed to hold its next meeting in Washington, D.C., on April 22, 1996.

The Development Committee met on October 9, 1995, with Mr. Mohamed Kabbaj as Chairman, and issued a press communiqué (Attachment II). The concluding remarks of the Chairman will be circulated to the Fund Committee of the Whole for the Development Committee. On October 10, 1995, the Board of Governors heard a report by Mr. Kabbaj on the work of the Committee during the period July 1994-June 1995, in compliance with Section 5(i) of the Fund Board of Governors Resolution No. 29-9, adopted October 2, 1974; this report has been circulated as a Joint Annual Meetings document (Fund Document No. 5) and has been issued as Joint Press Release No. 6. The Development Committee agreed to meet again in Washington, D.C., on April 23, 1996.

Board of Governors

The Board of Governors adopted two Resolutions:

Resolution No. 50-3 - Membership for Brunei Darussalam^{1/}

^{1/} Brunei Darussalam signed the Articles of Agreement on October 10, 1995. The Honorable Dato Haji Ahmad Wally Skinner, Alternate Governor of the Fund for Brunei Darussalam, addressed the Annual Meetings on October 12, 1995.

Resolution No. 50-4 - Financial Statements, Report on Audit, and Administrative and Capital Budgets

The Board of Governors also decided on the following matters:

1. Officers 1995/96 ^{1/}

Chairman	-	Chile
Vice-Chairmen	-	Papua New Guinea and South Africa

2. Joint Procedures Committee 1995/96

Belarus	Germany	Saudi Arabia
Belgium	India	South Africa
Chile	Jamaica	United Arab Emirates
Denmark	Japan	United Kingdom
El Salvador	Mauritania	United States
Equatorial Guinea	Moldova	Venezuela
Ethiopia	Papua New Guinea	Vietnam
France	Portugal	

Texts of the Resolutions, reports of the Joint Procedures Committee and Development Committee, and speeches of the Governors will be published in the Summary Proceedings of the 1995 Annual Meeting. Excerpts from speeches by Governors at the 1995 Annual Meetings on matters of interest to the Fund, which serve as background material for the forthcoming discussion on the work program of the Executive Board, are reproduced in Attachment III.

Att: (3)

Other Distribution:
Department Heads
Division Chiefs

^{1/} The Chairman and Vice-Chairmen of the Board of Governors hold the same offices in the Joint Procedures Committee; the Governor for Portugal will be the Reporting Member of that Committee.

INTERNATIONAL MONETARY FUND

PRESS RELEASE NO. 95/51

FOR IMMEDIATE RELEASE
October 8, 1995

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

1. The Interim Committee held its forty-fifth meeting in Washington, D.C. on October 8, 1995 under the chairmanship of Mr. Philippe Maystadt, Deputy Prime Minister and Minister of Finance and External Trade of Belgium.

2. The Committee welcomed the encouraging global economic situation and outlook, which are due in large part to the pursuit of sound policies in many countries. It reaffirmed that the Madrid Declaration continues to be a useful guide for policies.

3. In reviewing progress in implementing the Madrid Declaration, the Committee observed that:

o In the industrial countries, prospects are for sustained non-inflationary growth and policies should continue to be aimed toward this objective. Broad based expansion will help to create jobs, reduce external imbalances and contribute to financial market stability. The Committee welcomed the recent economic stimulus measures announced by the Japanese authorities, the easing of interest rates in Europe, progress toward fiscal consolidation in many countries, and the broad movements in the exchange rates between the key currencies since last April. In many countries, strengthened efforts at fiscal consolidation, and prudent monetary policies, have permitted lower long-term interest rates. Nevertheless much remains to be done, and the current expansion should be taken as an opportunity for vigorous action to tackle fiscal imbalances, to enhance labor market flexibility and to reduce unemployment particularly in Europe and Canada, and to further deregulate and open markets in Japan.

o The Committee commended the impressive growth performance of an increasing number of developing countries. Strong fundamentals and prompt policy adjustments, and avoidance of recourse to exchange controls, have helped restore investor confidence in the aftermath of the Mexican crisis. Strong adjustment efforts by Mexico and other affected countries, with timely and substantial international support, have enabled them to weather the crisis, although the social costs of the crisis have been severe in some of the countries. Elsewhere, especially in Asia, some of the strongest-performing countries now must guard against overheating, with an appropriate use of exchange rate and monetary policy.

o Many low-income countries now enjoy improved growth prospects as a result of their implementation of comprehensive adjustment policies and more favorable external conditions. However, the Committee expressed deep concern about the plight of a number of low-income countries. It called for

the full and constructive implementation of Naples terms by the Paris Club, but emphasized the need to maintain sufficient flows of concessional assistance to low-income countries implementing strong adjustment and reform programs.

o The Committee was encouraged by the resumption of growth in a number of economies in transition that had established firm macroeconomic discipline and implemented early and wide-ranging systemic reforms. Many countries that were less advanced in the transition process have also recently strengthened their stabilization and reform efforts, and are now showing signs of economic recovery. The Committee urged all countries in transition to pursue bold policies that the Fund could support. There is a pressing need for improved enterprise efficiency, cost-effective social safety nets, and financial sector reform. Many of these countries need to address without delay the level and structure of government expenditure and the unsustainable decline in budgetary revenues by improved tax policies and administration. Many also need effective debt control and monitoring, and concern was expressed that some are accumulating external debt unsustainably.

4. The Committee welcomed trade liberalization under the Uruguay Round, and reiterated the importance of further market opening, avoidance of protectionist measures, and reliance on the multilateral framework of the WTO to resolve disputes.

5. The Committee stressed that increased freedom of capital movements and globalized markets bring significant benefits to all countries. Consistent implementation of firm economic policies should help to reduce the volatility of capital movements. The Committee encouraged the Fund, in promoting liberalization in a global market setting, to pay increased attention to capital account issues and the soundness of financial systems, and emphasized the need for improved prudential supervision.

6. The Committee endorsed the conclusions and recommendations of the report of the Executive Board on the regular and timely provision of comprehensive and good quality data to the Fund by members for surveillance purposes, including the identification of a set of 12 core data categories, and on the establishment by the Fund of standards to guide members in their publication of economic and financial data, (including a two tier approach consisting of a general standard for all members and the more demanding standard for those having or seeking access to the capital markets and public identification of countries adhering to the more demanding standard). The Committee stressed the importance of providing technical assistance to interested member countries. It supported publication of the report and requested the Executive Board to complete its work soon, taking into account the views of market participants, so that members who wish to subscribe to the more demanding standard should have the opportunity to do so before the Committee's April 1996 meeting.

7. The Committee stressed the crucial need to safeguard the Fund's liquidity at an adequate level at all times. Accordingly the Committee discussed strengthening the Fund's financial resources:

- o The Committee welcomed the progress already made by the Executive Board on Fund quotas, and requested the Board to move forward with the Eleventh Quinquennial Review, and to report on progress made at the next meeting of the Committee in April 1996.

- o The Committee noted with interest the initiative of the Group of Ten countries to develop new parallel financing arrangements, complementary to the General Arrangements to Borrow, with the aim of doubling the resources currently available under the General Arrangements to Borrow through contributions from members of the G-10 and from other countries with the capacity to support the international financial system; it expressed the strong hope that early progress would be made through a constructive dialogue between the G-10 and potential new participants. The Committee emphasized the importance that all participants should be treated equally, and agreed that expanded borrowing should not be a substitute for a quota increase.

8. The Committee welcomed the consensus in support of continuation of the Enhanced Structural Adjustment Facility (ESAF), including the establishment of a self-sustained ESAF. It agreed that ESAF should continue to be the centerpiece of the Fund's strategy to help the lower-income countries, including those that are heavily indebted. It requested the Executive Board to submit proposals on the future financing of ESAF and to report to the Committee at its next meeting.

9. The Committee noted the on-going work in the Fund, in close collaboration with the World Bank, on how best to address the problems of those low-income countries that are undertaking strong adjustment and reform programs but whose debt situation, including debt to multilateral institutions, may prove unsustainable, even after debt reduction on Naples terms. It encouraged the two institutions to continue their cooperative work on these issues, including country-specific analysis of debt sustainability, and requested the Executive Board to report to the Interim Committee at its next meeting.

10. The Committee endorsed the Board's decisions:

- o to establish exceptional procedures (the emergency financing mechanism) that would enable the Fund to respond promptly and prudently in the event of serious financial crises. It emphasized that use of these procedures would not necessarily imply exceptional financing, and would be subject to strong conditionality.

- o on the conditions under which the Fund should be prepared to support currency stabilization funds, on a short-term basis, in the context of an exchange-rate-based disinflation strategy, and within the limits and guidelines of the current access policy.

o on expanding the scope of the Fund's involvement in post-conflict situations, including the circumstances under which the Fund could provide emergency support in a context of coordinated international assistance.

11. The Committee requested the Executive Board to continue its examination of ways to achieve the agreed objective of participation of all members of the Fund in the SDR system. As part of the wide-ranging review of the role and functions of the SDR in the world financial system, the Committee also looked forward to the results of the seminar to be held in March 1996, with the involvement of outside experts.

12. Members of the Committee had a fruitful informal discussion with Mr. Michel Hansenne, Director General of the International Labor Office on collaboration between the ILO and the IMF in light of the commitments of the UN Social Summit. The Committee agreed that cooperation should be strengthened, with a view to helping Fund missions to acquire a better understanding on labor markets and social protection issues, and ILO staff to further integrate in their own policy advice the view of the Fund on macroeconomic policies and targets for the country concerned. The Committee also recommended that regular exchanges of views and sharing of information should be pursued in the preparation of the Fund's World Economic Outlook and the ILO's World Employment Outlook.

13. The Committee will meet again on April 22, 1996.



DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

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October 9, 1995

COMMUNIQUE

1. The 51st Meeting of the Development Committee was held in Washington, D.C. on October 9, 1995 under the chairmanship of Mr. Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco. Ministers welcomed World Bank President James D. Wolfensohn to his first meeting of the Committee. The Committee was pleased that, for the first time, the United Nations Secretary General, Mr. Boutros Boutros-Ghali, addressed the Committee. ^{1/}

2. SUPPORT FOR POVERTY REDUCTION Ministers reviewed the implications of the United Nations' Social Summit Declaration. They focussed particularly on how World Bank and IMF efforts to reduce poverty could be strengthened through enhanced policy dialogue with governments, based in part on results of poverty assessments. Ministers agreed that multilateral development institutions should accelerate their investments in social sectors and poverty reduction programs. The Committee encouraged the Bank to strengthen its efforts to promote broad-based, labor-intensive growth through increasing access of the poor to land, credit and basic infrastructure.

3. Ministers agreed that efforts to improve the composition and efficiency of public expenditures were needed. The Committee urged the Bank and Fund to work closely with member governments to help them improve their public finances, especially by increasing attention to funding social and economic development programs and reducing non-productive spending (including excessive military expenditures) within a framework of sustainable economic growth.

^{1/} Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. N'Goran Niamien (Côte d'Ivoire), Chairman of the Group of 24, also took part in the meeting. Observers from a number of international and regional organizations also attended.

4. In this context, Ministers agreed that donors' support should be consistent with governments' public expenditure programs. The Committee urged donor governments to continue to strengthen assistance for countries demonstrating strong commitment to social sector investments and other high priority poverty reduction programs. The Committee also urged them to take steps to reduce administrative burdens on aid recipients.
5. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) Ministers recognized the importance of supporting the implementation of effective development policies and programs with adequate resource flows, especially of concessional funds, if poverty is to be reduced. The Committee recognized that funding reductions facing IDA present a very serious risk to poverty reduction and economic growth in the world's poorest countries. Ministers agreed on the importance of a significant replenishment of IDA.
6. *The Committee expressed great concern that potential reductions in contributions to IDA were likely to jeopardize its future and stressed the great importance donors attach to equitable burden-sharing. The Committee urged all donors which have not done so to honor their commitments and continue the strong support which has marked IDA's 35-year life.*
7. Ministers agreed that every effort should be made to meet the essential financing requirements of poor countries as reflected in IDA's lending plans, and to protect IDA's multilateral character.
8. MULTILATERAL DEBT Ministers resumed the discussion of multilateral debt begun at the previous meeting. Ministers agreed that current instruments should be sufficient to bring debt and debt service for the majority of heavily indebted poor countries down to manageable levels. For a small group of countries, however, this may still leave an unsustainable debt situation, a problem for which appropriate approaches need to be further explored. Ministers requested the Bank and Fund to continue their work on this issue, including detailed country-specific analysis of debt sustainability, and, after presenting their findings and recommendations to the Executive Boards, to report with proposals to the Committee at its next meeting.
9. EXECUTIVE SECRETARY The Committee selected Mr. Alexander Shakow as Executive Secretary.
10. NEXT MEETING The Committee's next meeting will be on April 23, 1996, in Washington, D.C., when its agenda will include consideration of the Report of its Task Force on the Role of Multilateral Development Banks.

EXCERPTS FROM SPEECHES BY GOVERNORS AT THE
1995 ANNUAL MEETINGS ON MATTERS OF FUND INTEREST

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NOTES

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| <u>1/</u> | Denmark (Ms. Jelved) | - | Speaking on behalf of the Fund Baltic and Nordic Countries |
| <u>2/</u> | Spain (Mr. Solbes) | - | Speaking on behalf of the Member States of the European Union |
| <u>3/</u> | Brazil (Mr. Malan) | - | Speaking on behalf of the Latin American Governors |
| <u>4/</u> | Gabon (Mr. Doupamby Matoka) | - | Speaking on behalf of the African Governors |
| <u>5/</u> | Lebanon (Mr. Siniora) | - | Speaking on behalf of the Arab Governors of the Fund and Bank |
| <u>6/</u> | Sweden (Mr. Persson) | - | Speaking on behalf of the Bank Nordic Countries |
| <u>7/</u> | Barbados (Mr. Arthur) | - | Speaking on behalf of the Joint Caribbean Group |
| <u>8/</u> | Marshall Islands
(Mr. Zackhras) | - | Speaking on behalf of the Federated States of Micronesia, Kiribati, the Marshall Islands, the Solomon Islands, Vanuatu, and Western Samoa |

1. One Global Economy - Broad Remarks

Belgium (Governor Maystadt)

The globalization of the international financial system and the increasing liberalization of capital movements calls for closer surveillance of all member countries, to enable the IMF to detect any emerging tensions early.

The global economy is rapidly moving toward integration, but it is still shaped by greater inequalities among countries and groups of countries. Ever-increasing numbers of countries are gaining access to international capital markets and playing larger roles in the world economy. However, too many countries are still experiencing what the Chairman termed yesterday "misère odieuse," or abject poverty, and are not sufficiently reaping the benefits of globalization of the economy. This latter group of countries must receive our priority attention.

Republic of Croatia (Governor Prka)

Globalization of the world financial markets and sophistication of financial instruments (like the much talked about derivatives) point to the fact that crises in one country can very speedily spill over to other countries as well.

Denmark (Governor Jelved) 1/

In a modern world in which economic relations have become globalized, it is important to strengthen surveillance to prevent future crises....

We are also in full agreement with the Fund's efforts to promote closer cooperation among the key players in the global economy and to strengthen surveillance as the central element of the Fund's contribution to better economic policies....

...the Nordic and Baltic countries continue to support the Fund as the central international institution for laying down guidelines for global macroeconomic and exchange rate policies. The IMF is well placed among the international organizations to play a prominent role in furthering the prosperity and well being of the global economy and its populations.

El Salvador (Governor Hinds)

We believe that World Bank and International Monetary Fund policies should be geared toward helping countries to effectively become a part of the globalization process and efficiently invest in human and physical capital, so as to raise levels of competitiveness.

France (Governor Arthuis)

...the industrialized countries have a major responsibility which goes beyond the management of their domestic economies, as their internal or external imbalances have a detrimental global impact in view of the globalization of financial markets.

Germany (Governor Waigel)

The globalization of markets requires additional transparency and credibility of economic policy. Greater transparency enhances market stability and reduces the target for speculators.

India (Governor Singh)

...developing countries all over the world are engaged in an unprecedented restructuring of their economies and policies to take advantage of the possibilities offered by increasingly integrated world markets. These changes have the potential to usher in a period of sustained growth of income in the developing world, which is the only lasting solution to the problem of poverty. But this can happen only if developing countries have a supportive international environment.

Indonesia (Governor Muhammad)

The globalization of capital markets has meant that our government budgets and our foreign exchange positions are driven by exchange rates between currencies other than our own. The recent shifts in the yen/dollar rates, for example, have increased and then lowered our debt service payments. The results of all this is that individual countries are bounced around by unstable world markets and have less and less control over their destinies. Only collective action, with the support of multilateral institutions, can deal with unstable international financial markets and exchange rates.

Japan (Alternate Governor Matsushita)

The dramatically expanding flows of capital in private sectors and the emergence of new financial products have contributed, I am sure, to the growth of the world economy, by rapidly expanding the international capital markets and furthering integration. On the other hand, the expansion and integration of the financial markets has created new risks in which a financial crisis in one market can have an immediate and contagious effect on other markets.

Korea (Governor Hong)

The last decade has witnessed the increased integration and globalization of financial markets. Indeed, this has encouraged an efficient allocation of global savings and has promoted economic growth. But this has posed a new risk as well: the possibility of a financial

crisis spill-over has increased, and the speed at which it can spread has accelerated. The volatility of capital flows in and out of the developing countries has also increased.

Such developments require the Fund to take on some important new roles. Risks must be mitigated, while integration continues to be fostered.

In addition, the Fund must be aware that the rising uncertainty of exchange rate movements may hamper the sound economic growth of developing countries....

Pakistan (Governor Jafarey)

Many speakers have touched on the globalization of financial markets. This increased openness to international trade and financial markets has been a welcome and positive feature and has contributed to growth and welfare of countries and their partners in trade. However, it has also made countries more vulnerable to sudden shifts in market sentiment, be they favorable or adverse, arising from changing perceptions in world capital markets and in investor sentiment towards emerging markets. The potential volatility of capital in a globalized world economy carries important implications both for economic policies in all countries and for the IMF as the central institution of the international monetary system.

The Philippines (Governor De Ocampo)

Today, we face a rapidly changing global environment, propelled by rapid developments in the area of information and telecommunications technologies. With a few taps on computer keyboards, billions of dollars may be instantaneously relocated by large financial organizations whose resources dwarf those of many small countries. Advances in these technologies have caused global market integration and interdependencies to proceed at a rate unimaginable only a few years ago.

Ours is a global technological environment where market forces--- capital and labor---move with little regard for formal political boundaries. Increasingly, portfolio funds rather than direct investments dominate global capital flows. These funds are extremely sensitive to market returns. This reality commands that countries exercise greater coordination in macroeconomic policies. It is a reality that also requires augmentation of the resources available to multilateral institutions that play even more valuable roles in assuring the continued stability of the global financial system....

Russian Federation (Governor Chubais)

The accelerated globalization of capital markets has sharply reinforced the economic interdependence of all countries of the world, as evidenced by the financial crisis that occurred in Mexico.

Spain (Governor Solbes) 2/

The world economy is in the course of a major process of integration, evidence of which is to be seen, for instance, in the large-scale inclusion of developing and transition countries in international trade and financial flows. This creates new challenges, opens new vistas of growth, and, provided we adhere to the appropriate policies, I am certain we shall ultimately succeed in taking full advantage of them.

Switzerland (Governor Stich)

...the globalization and liberalization of capital movements allow a more efficient allocation of savings and, thus, increase the growth potential of the global economy. However, in a context of increasingly integrated financial markets, unpredictable and large fluctuations can occur. Such fluctuations can normally be limited, especially if expectations of market participants can be stabilized by a strong economic policy in a medium-term framework. However, markets can overreact, in the short run, putting individual countries, in particular developing countries with emerging markets, under severe pressure. In such situations, it is important that it be avoided that countries resort to measures destructive of national or international prosperity.

Turkey (Governor Yilmaz)

The turnaround achieved by the debt-ridden developing countries since the 1980s involved accelerated structural reforms and stabilization. The improvement in their situation has been accompanied by increased integration of their economies into the world financial system, with effects that are mostly beneficial.

The globalization of the financial markets has changed the parameters of the international monetary system, and the Fund and its members need to adopt themselves to this new environment....

The integration of the emerging markets into the global capital markets has been accompanied by an acceleration of capital inflows into those countries, bringing both benefits and problems. Mexico's experience shows how quickly such inflows can reverse to become outflows, causing serious economic disruption.

United Kingdom (Alternate Governor George)

We face a challenging future as the world becomes more integrated. I am confident that our international financial institutions can respond, and as necessary change, in the face of changing demands.

United States (Governor Rubin)

We live in an ever-more global economy, one in which all nations' well-being and progress are increasingly intertwined, in which the smallest and

the largest are integral parts of that global economy and profoundly affected by decisions and events outside their borders. We--the nations of the world--are all in this together. Whole regions have greatly improved economic conditions by embracing open markets and trade. From Wall Street and the world's other financial capitals to the cities of Asia, Eastern Europe, Latin America and Africa, the unprecedented growth and internationalization of financial markets are fueling regional advances. Once weak economies have come to the fore, and become major trading partners for the long prosperous economies. Moreover, the growing importance of these newly successful economies calls for them to be given a greater voice in the stewardship of the financial system....

In a truly global economy, it is all the more important for us to work together, and further the prosperity of all. Last year, we agreed broadly on the need to adapt the international economic and financial architecture to meet new realities. We must work to continue making that vision a reality, and to continue reinvigorating these institutions to meet changing needs....

The emergence of a global economy, and the unprecedented growth and integration of financial markets, have brought enormous new opportunities to all our countries and peoples, but also new risks. Moreover, the need to help the struggling economies and the billion people worldwide who live in poverty is unabated. The reality of the global economy is that all our countries' well-being, and all our peoples' aspirations, are increasingly intertwined. No nation can stand on the sidelines. The need for participation, for cooperation, and for leadership in strengthening the global economy is even greater than it was 50 years ago, when the Bretton Woods institutions were founded.

2. Industrial Country Policy Mix and Coordination; Cooperative Medium-term Growth Strategy

Austria (Governor Staribacher)

Policies [in most Western European countries] need rather to be geared towards ensuring low real interest rates, thus generating a virtuous cycle of high investment activity and reduced pressures on public budgets.

Structural reforms remain essential to eliminate weaknesses in product and labor markets, welfare systems and ensuing high public deficits, and this applies not exclusively to developing or transition countries. It must be remembered, of course, that the meaning of the term "structural reforms" has acquired a dynamic of its own over the last years. In many instances "structural reform" means that regulations should be adjusted such that market flexibility is promoted. In others, that entitlements may need to be abrogated. And lastly, it is sometimes used as a "weasel word" as my compatriot, the eminent economist Fritz Machlup has stated, meaning that politicians engage in unspecified "other" policies and call them "structural", when the usual set of policies has proven to be ineffective.

Bangladesh (Governor Rahman)

The lack of progress in fiscal consolidation, particularly deficit reduction, and structural reform in the industrial countries are causing real interest rates to be high and add to the volatility of exchange rate movements. This poses a serious threat to capital flows to the developing countries, which are on the decline. It is, therefore, important that the major industrial countries achieve macroeconomic convergence. I urge for an enhanced surveillance role of the IMF in this area.

Canada (Governor Peters)

This suggests that one way of responding to [exchange market] turmoil is to redouble our efforts at pursuing sound policies and establishing credibility. Employment policies must concentrate on spending smarter at a time of limited resources. In addition, structural policies are needed to improve employment potential and to improve our economies' growth potential. The growing international consensus on this policy prescription was embodied last year in the Interim Committee's Madrid Declaration.

Balance of payments problems, particularly current accounts that are consistently out of balance, add to exchange market instability.

We must, however, also acknowledge that while a collective commitment to pursuing sound policies may reduce instability, it will not guarantee the absence of problems. Instability in foreign exchange markets remains a threat to developed and developing countries alike. Developments over the last year also indicate the need for an international financial structure to help in providing a smoothly-functioning international economic and financial system.

Denmark (Governor Jelved) 1/

Continued growth is a precondition for continued expansion in employment. Growth is also important to ensure that countries proceed with the crucial structural reforms of - among other things - labor markets. In the short term, we must take further steps in the immediate future to achieve macroeconomic stabilization, especially as regards sustainability of public budgets. This is the basis for sustained growth and further progress in reducing unemployment.

Fiji (Governor Vunibobo)

The unsynchronised performance amongst the leading economies is a stark indication of the lack of economic convergence which underlies the continuing turbulence in the international markets.

...as recent events have indicated, the establishment of an informal exchange rate target zone will be difficult to maintain for any considerable length of time. The only sustainable answer is for industrialised countries

to actively pursue economic convergence through appropriate policies and structural reforms.

Germany (Governor Waigel)

A steady, stability-oriented consolidation policy is also the key requirement for stable exchange rate relations. This was again demonstrated with particular force by events on global financial and currency markets at the beginning of the year. The attention of international markets is now focused more than ever before on national economic and monetary policies. International investors now respond almost instantly to misdirected economic policy decisions. Policies have to take these new global circumstances into account.

Greece (Governor Papantoniou)

A balanced macroeconomic policy mix and continued efforts aimed at structural reform are the pillars on which sound economic policy rests. Budgetary consolidation should remain a high priority in most countries as a means of increasing national savings and reducing real interest rates. Monetary policy should focus on disinflation, as well as financial and exchange rate stability. Such a policy mix is conducive to private investment and export growth, and strengthens the prospects for sustainable expansion in the medium term.

Sound macroeconomic policies will not, however, automatically lead to good economic performance and improved standards of living if our economies maintain structural rigidities. Efforts to reduce unemployment, which remains high despite good growth conditions, should be intensified. However, this process should be accompanied by improving social and environmental standards in the developing world, while, at the same time, preserving the multilateral character of international trade relations. In financial markets, increasing integration and globalization may require a strengthening of market oversight activities, in order to spread the essential benefits of free capital movements to wider segments of our societies. Finally, raising the efficiency of public administration, tax systems and public corporations remains a goal to be vigorously pursued worldwide.

Japan (Alternate Governor Matsushita)

For continued growth of the world economy, it is essential that our member countries work jointly on three policy priorities: sustained noninflationary growth of industrial economies; strengthened stability in the policies of emerging economies as well as in the economies in transition; and sustainable growth of developing countries.

While economies of the industrial countries are generally expanding, the pace of growth has slackened somewhat. Many industrial countries are burdened with high levels of structural unemployment and fiscal deficit, yet inflation remains at the lowest level since the early 1960s. In order to

maintain momentum, industrial countries must carry out structural reforms while implementing policies to achieve sustained noninflationary growth.

Above all, fiscal consolidation should be, I believe, the main policy priority for all industrial countries. Continued, large fiscal deficits will undermine the flexibility of fiscal policy, and only add to the burden of future generations, thus serving as a major obstacle to the development of the world economy. The fiscal situation in Japan, in particular, has noticeably deteriorated. Japan must, therefore, actively pursue fiscal consolidation.

Stabilizing exchange rates is also an urgent priority for the entire world economy. It is thus imperative for industrial countries to strengthen their efforts in reducing internal and external imbalances and to continue to cooperate closely in exchange markets, so that exchange rates will reflect underlying economic conditions of each economy. With this avowed intent, the G-7 Finance Ministers and Central Bank Governors stated on October 7 that they had welcomed the orderly reversal in the movement of the major currencies that began following their April meeting and that they would welcome a continuation of these trends consistent with underlying economic fundamentals. We firmly intend to maintain close cooperation with relevant countries in exchange markets.

Korea (Governor Hong)

Another essential element is for key currency countries to work closer in their macroeconomic policies with due awareness of the interests of the developing countries. The Fund, which represents the interests of all member countries, should participate in the process of such policy coordination.

Malaysia (Governor Anwar bin Ibrahim)

In the industrial countries, the strong expansion comes with associated risks that need to be contained, particularly the possible negative effects arising from the foreign exchange turbulence in the first six months of 1995, following the adverse financial market reaction to the poor state of public finances in several countries bringing about higher interest rates, and possibly more restrained consumer spending.

Given these risks, it is important that the gains made in lowering inflation be preserved, while the difficult but necessary task to reduce high public deficits need to be vigorously pursued, given increases in fiscal burdens associated with increasing social demands. With private savings low or declining in many developed countries, efforts need to be intensified to ensure that this does not become an impediment to the growth momentum.

Nepal (Governor Mahat)

We...urge all major industrial country governments to strengthen their macroeconomic policies and step up monitoring as well as follow up actions in order to achieve greater global interdependence in economic relationships.

Pakistan (Governor Jafarey)

In the industrial nations, further efforts at fiscal consolidation so as to bolster global savings and lower interest rates, and measures to tackle the problem of high levels of structural unemployment through labor market reforms are called for. The recent episodes of turbulence in financial markets are a reminder that markets remain highly sensitive to economic imbalances and progress in these areas would therefore help alleviate an important source of financial market instability....

Russian Federation (Governor Chubáis)

The recent unwarranted fluctuations in exchange rates have been successfully rectified through the coordinated actions of the central banks managing the key reserve currencies. Clearly, the greatest possible advantage should be taken of the favorable state of the world economy to resolutely redress the accumulated fiscal and structural imbalances.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

Despite the rates of growth achieved by the global economy last year, the notable growth in world trade, as well as the containment of inflation rates by many industrial nations, there have been certain developments and events which have had some adverse economic repercussions on developing countries. Notable in this respect is the Mexican crisis and its adverse effects on financial markets, particularly in developing countries. Also notable are the dramatic changes in the rates of exchange of major world currencies on a scale unwarranted by economic indicators or economic realities in the industrial countries.

Such developments and events--particularly the fluctuations in the exchange rates of major world currencies--would not have occurred had the relevant countries whose currencies are involved shouldered their responsibility to maintain the stability of the values of their respective currencies. Certain countries should have taken appropriate measures to rectify the situation.

Such developments are sources of major concern for developing nations, making it incumbent on industrial countries to adopt more credible policies that take into account the conditions prevailing in other countries--particularly the developing nations.

Spain (Governor Solbes) 2/

From the end of March, calm was progressively restored in the international financial markets, partly due to the cooperation among the major industrial countries. Interest rates and exchange rates now provide a more favourable setting for sustained economic growth in the industrial economies as a whole. Continued cooperation among the major industrial countries, based on sound domestic policies, could prove helpful in stabilizing exchange markets further.

Employment responded to the cyclical improvement, but unemployment rates in the European Union are still high. This highlights the need for additional efforts to reform our labour markets and to increase the number of jobs which can be created during the recovery.

Inflation remains subdued in most industrial countries. Some of those that have experienced sizeable currency depreciations are witnessing inflationary pressures, which in some cases have prompted monetary authorities to react by increasing interest rates. In these countries in particular fiscal policy should be, and in some cases has been, geared to reducing domestic absorption. Due to high deficits, further fiscal adjustment is needed in most EU countries in order to reduce inflationary pressure and to strengthen economic growth....

Progress towards the fulfilment of the convergence criteria has in some cases been less than satisfactory. The European Union and its Member States will therefore continue focusing considerable efforts on improving price stability and on ensuring sound public finances, fully convinced that the policies for sustaining long-term growth, for reducing unemployment and for strengthening convergence are mutually supportive. Exchange rate instability at the beginning of the year, due partly to the weakness of the US dollar, affected Member States unevenly, reflecting continuing structural problems, persistent fiscal imbalances, uncertain inflation prospects and other uncertainties in some Member States. Adopting strict measures to address macroeconomic imbalances, in particular in the field of public finance, has proved the only effective way of regaining market confidence and thus improving exchange-rate stability....

A sound macroeconomic framework is one of the pillars necessary to support the reduction of unemployment, this being an important priority in the EU. The Union has agreed - most recently in its Broad Guidelines and in the conclusions of the European Council in Cannes - that for growth and employment to be sustainable we also have to take into account inter alia the inter-relationship between economic growth and the environment and the consequences this has for economic policy. The subject was also an important part agreed by the G-7 Halifax conclusions....

Switzerland (Governor Stich)

...many industrialized countries are unfortunately no longer capable of offering a job to all those who would like to work. Here we must do far more

than we have up until now. I am disappointed when I think of how little progress we have made on this in recent years, in spite of a multitude of conferences and official declarations of intentions.

Thailand (Governor Sathirathai)

Recent policy coordination among industrial countries has helped restore confidence in the foreign exchange markets. Many challenges remain, nonetheless, to be addressed in the immediate future. Of particular concern to policy-makers in emerging markets is the size and pace of short-term capital flows. Many of them have, therefore, justifiably resorted to temporary restrictive measures in order to alleviate the situation. The sensitivity of borderless markets to systemic threats has made it urgent for authorities worldwide to strengthen their communication channels and policy coordination. Exchange rate misalignment and banking crises are indeed areas which require closer and more coordinated policy actions. In addition, more coordination is needed to alleviate frictions in the global trading environment.

3. Adjustment Policies in Developing Countries and Countries in Transition

Australia (Governor Willis)

There has been much criticism of the impact of 'structural adjustment' programs introduced to correct economic imbalances and unsustainable policies. Certainly, macroeconomic and structural reforms do have transitional consequences and therefore it is important that we develop measures to alleviate negative impacts on disadvantaged segments of society.

But none of this undermines the basic premise that sound macroeconomic and structural policies are prerequisites for economic development. A major contribution that the Bank and the Fund can make is to encourage better economic policies in borrowing countries. That means rigorous conditionality and an emphasis on performance.

Belgium (Governor Maystadt)

First of all, the governments of the poorest countries must guarantee macroeconomic stability at home. Experience shows amply that a government's inability to balance the budget and contain expansion of the money supply undermines development prospects. Moreover, it is clear that greater political stability and better management of public services also help create the conditions for sustainable development.

Brazil (Governor Malan) 3/

Latin America, within a fully democratic system, has achieved great progress in its macroeconomic reforms and specially in modernization of the state. The region has also gone through a vigorous process of internationalization. The quality of nontraditional exports has

significantly improved. Trade liberalization and the increasing absorption of new technologies and direct investments are facilitating a considerable rise in productivity. Financial markets have been liberalized. Previous restrictions against foreign investments have been lifted. Privatization became an important instrument to attract direct investment to the region.

We are aware that many problems remain to be solved. For example, it is necessary to monitor at all times the dimension of current account deficit. Neither can countries rely heavily on short-term capital inflows. Latin America must in particular increase domestic savings rates. Social sector development is an enormous challenge for the region. More generally, we have to continue to reform the state and build effective public sectors in order to have healthy, efficient and competitive private sectors.

Republic of Croatia (Governor Prka)

...macroeconomic stabilization is crucial for the success of transition. Almost all countries started transition with various degrees of macroeconomic imbalance. The first years were marked with a tremendous fall in output never before experienced in modern history, high inflation, which sometimes turned to hyperinflation, and the collapse of external trade, especially in the former Council for Mutual Economic Assistance.

Macroeconomic stabilization is a necessary but not sufficient condition for the success of transition. Countries must immediately embark on microeconomic reforms, impose hard budget constraints, trim down or close large loss makers, and start building sound finance.

One big lesson that can be learned from existing experience is that transition is not a onetime short, not even a short-run effort, but a lengthy battle, a marathon for which one needs to be well prepared both psychologically and physically. As transition has no alternative (but to go back to the old system) on the way to a free-market economy, it is better to be ready for it. It is true that formidable obstacles lie ahead. But, it is equally true that those reforms will be rewarded in the future with the increased well-being of the population within the global world economy.

...further reforms, aimed at changing the behavior of the economy by imposing hard budget constraints (increasing financial discipline) and optimizing resource allocation, are urgent. To achieve this goal, organizing an efficient payments system, which is necessary for good financial intermediation, is a prerequisite. Rules for exit out of the market, or bankruptcy procedures, must be simplified and the process speeded up.

Gabon (Governor Doupamby Matoka) 4/

From our perspective, we are aware that the extent to which the living standards of our peoples can be improved is primarily dependent on our own efforts and the implementation of a clearly defined development strategy. This strategy should be based on the development of basic infrastructures, the development of human resources, a thriving private sector, and the

promotion of economic diversification. It is our conviction that no reform program can succeed unless it enjoys adequate social and political support. In this regard, we are thus heartened by the outcome of the International Conference on Population and Development held in Cairo in September 1994, the World Summit for Social Development held in Copenhagen in March 1995, and the Beijing Conference On Women, which took place recently. We earnestly hope that the conclusions of these global conferences will translate into effective actions that can be incorporated into the design and financing of adjustment programs and economic reforms supported by the Fund and the Bank.

Ireland (Governor Quinn)

A sound macroeconomic framework is a prerequisite for sustainable development and, thus, for a lasting reduction in poverty. At the same time, there is the need to maintain social cohesion and emerging democratic structures which can be put at risk where too deep or speedy an adjustment is attempted. We should therefore encourage countries embarking on an adjustment process to have regard to certain minimum conditions. Access to food and to basic facilities such as health and education should be ensured.

Italy (Governor Dini)

The best assistance that industrial countries can offer to developing nations and the economies in transition is an open and growing world economy: i.e., an environment offering opportunities, the possibility to benefit from them, and the stability required by investors. Most of these conditions are present today and a large number of developing countries are taking good advantage of them. Their economic growth continues to be impressive in the aggregate and there are signs of its spreading to laggard regions such as Africa. Transition economies are also posting impressive progress, and in many instances output gains for the second year running.

Growth, however, is to a large extent to be generated internally. It requires good policies, a stable domestic environment, and an outward orientation and openness. Policies favoring capital accumulation are among the most important, for rapid growth requires high rates of investment and domestic saving. Achieving these conditions in Africa and Latin America is essential if the growth momentum that now exists is to be maintained. This is the responsibility of public policy.

Growth also requires good governance, both in the sense of honest and efficient administration and in that of public participation. There are no shortcuts that really work in the long run. Public confidence is a very hard commodity to obtain and to conserve, but it is essential to stability and to social and economic progress. This applies to all countries, without exception.

Lasting economic progress requires a proper division of roles between the public and the private sectors. The private sector is the creator of wealth. The public sector is the facilitator of economic progress and the

guardian of its equity. Development of the private sector is a key ingredient of growth in both developing countries and transition economies. We are carefully monitoring the progress being made, since there is no alternative in emerging countries to a healthy, competitive, employment-creating private sector.

Lebanon (Governor Siniora) 5/

While medium-term outlook for the world economy is encouraging, the fact that many developing countries and transition economies still face enormous challenges and economic difficulties should not be overlooked. Facing these challenges and difficulties requires, first and foremost, perseverance by the countries concerned in their adjustment and reform efforts. It is obvious though, that the success of these efforts is dependent to a considerable extent on the availability of adequate external financial assistance on appropriate terms. The external support for the adjustment efforts in highly indebted countries should also include a fundamental treatment of the debt burden.

In addition to the availability of adequate financing on appropriate terms, the success of the adjustment efforts of the developing countries requires improving of these countries' access to the markets of industrialized countries.

Malta (Governor Dalli)

Attention should also be given to the countries in transition where economic performance varies considerably, depending on the stage of economic stabilization and restructuring achieved by these countries. The process of structural reform must be pursued vigorously in order to consolidate the gains which have been attained. Their integration in the global trade and financial system is also of paramount importance. However, while it is observed that the amount of capital inflows to these countries has increased substantially, signalling investor confidence in their economic potential, it is essential that foreign capital flows are also accompanied by growth in domestic savings which ultimately will serve as the basis for long-term investment.

Myanmar (Governor Win Tin)

We followed with keen interest on how the Fund and Bank have taken pains in attending to the needs of the countries in transition. We wholeheartedly endorse the Fund's idea that "it is vital that the international community continue to support the transition process in those countries that implement and persevere with appropriate stabilization and reform policies".

Although we appreciate this Fund's idea, we wish to remind the international community that these countries faced different circumstances and adapt their support with flexibility to enhance aid effectiveness. At the same time we urge the donor governments to adopt a more global view and take actions to increase official flows.

Sweden (Governor Persson) 6/

Substantial attention must also be devoted to the social consequences of adjustment and transition. Far too often, it is the poorest who have suffered the most from public expenditure cuts. Adjustment programs should contain measures to protect the interests of the poor and improve their income opportunities during the transitional period. Thereby, they will also be in a better position to participate in and benefit from economic growth when it resumes.

Urgent priority needs to be given to human resources and skills development. Education is perhaps the most fundamental factor for combating poverty. Focusing on women and girls is especially important since their large potential is often untapped, due to the many constraints they face....

Output performance of the transition countries that advanced early and rapidly on the road toward stabilization and structural reform are beginning to show positive rates. Where reform has been delayed, output decline has been extremely sharp. The prospects for many countries indicate a need for pressing ahead with the necessary adjustment. Yet progress remains slow, in particular in some republics of the former Soviet Union....

The transformation from a centrally planned system to a market economy implies far-reaching enterprise restructuring, which in turn depends on the existence of functioning financial institutions. Recent turbulence in the financial sector of several transition countries illustrates the need for fundamental changes.

4. Strengthening Fund Surveillance (General)

Australia (Governor Willis)

The Fund has a vital role in monitoring and assessing the economic policies of its members. There is a need to strengthen Fund surveillance. It is economic policies, not external financial assistance, that matter most.

Making surveillance by the Fund more continuous and intensive for those countries whose policy action, or inaction, could impact on the system is one of the lessons of the Mexican crisis and should help to reduce the number of future events of that kind.

Bandladesh (Governor Rahman)

The lack of progress in fiscal consolidation, particularly deficit reduction, and structural reform in the industrial countries are causing real interest rates to be high and add to the volatility of exchange rate movements. This poses a serious threat to capital flows to the developing countries, which are on the decline. It is, therefore, important that the major industrial countries achieve macroeconomic convergence. I urge for an enhanced surveillance role of the IMF in this area.

Barbados (Governor Arthur) 7/

We endorse the efforts to strengthen the effectiveness of Fund surveillance especially in light of the demonstrated volatility of the international capital markets. Surveillance, however, must be symmetrical in application to all members of the Fund.

Belgium (Governor Maystadt)

The globalization of the international financial system and the increasing liberalization of capital movements calls for closer surveillance of all member countries, to enable the IMF to detect any emerging tensions early.

...though priority should indeed be given to crisis prevention-- primarily through stricter discipline in member countries and closer surveillance by the IMF--we know that this will not always suffice. A pre-emergency regime is therefore envisaged to enable action to be taken promptly in the event of serious financial crisis.

Brunei Darussalam (Governor Skinner)

Surveillance over the international monetary system remains the core attention of the Fund. Effectiveness of this surveillance depends very much on the willingness and capabilities to cooperate fully with staff of the Fund. Quality, timely and comprehensive data are essential for decision making by both the individual country and the Fund. It is in this area that Brunei Darussalam will be requesting the assistance from the staff of the Fund to develop an effective functioning system of data collection. I am encouraged that this assistance will be readily available.

Strengthening surveillance and the creation of an early warning mechanism will allow the Fund to respond quickly to avoid the destabilization of the international monetary system. We can draw lessons from the Mexican crisis.

Republic of Croatia (Governor Prka)

[The Fund needs] to strengthen its surveillance so as to prevent future crises and, if they occur, be strengthened financially to intervene in a more efficient way.

Canada (Governor Peters)

In the context of the IMF, Canada and its Summit partners are looking for reforms in the following key areas:

- ° strengthening the IMF's surveillance of national policies and financial market developments and promoting fuller disclosure of this information to market participants. Such measures will better help to identify problems before they reach crisis proportions.

- ° ensuring that procedures are in place to shorten the time that is needed to respond to financial crises when they do occur.

Denmark (Governor Jelved) 1/

In a modern world in which economic relations have become globalized, it is important to strengthen surveillance to prevent future crises. This should be done not only by regular surveillance of all members of the IMF, but also by paying particular attention to those members whose economies can have a systemic impact on the rest of the membership.

By strengthening surveillance, the Fund will be able to act as an "early warning instrument" and contribute to policy formulation in order to achieve sustained stability, particularly in exchange markets.

We are...in full agreement with the Fund's efforts to promote closer cooperation among the key players in the global economy and to strengthen surveillance as the central element of the Fund's contribution to better economic policies. The IMF's role in surveillance over macroeconomic and exchange rate policy has to be emphasized in the G-7 coordination process. In this context, macroeconomic stabilization is needed to avoid excessive movements in interest rates and exchange rates. We welcome the concerted action by the G-3 countries to intervene in exchange markets and thereby reduce volatility.

Fiji (Governor Vunibobo)

Exchange rate stability is at the core of the Fund's charter. Surveillance is the main instrument of this objective. I welcome the strengthening of the Fund's ability in this critical area. Nevertheless, I would like to suggest that the Fund's surveillance still needs to be more focussed.

France (Governor Arthuis)

Over the past year, we have both worked and acted together to enable the IMF to strengthen its central role in the surveillance of the world economy and to provide it with the resources necessary to discharge the new tasks with which we have entrusted it, as well as its traditional tasks which it does both competently and efficiently. I welcome the significant progress which has been made in this area and which was confirmed the day before yesterday by the Interim Committee.

Germany (Governor Waigel)

The globalization of markets requires additional transparency and credibility of economic policy. Greater transparency enhances market stability and reduces the target for speculators.

Islamic Republic of Iran (Governor Mohammad-Khan)

We support recent efforts by the Fund in strengthening its surveillance role and capacity over foreign exchange and monetary developments. We believe that such functions need to be uniformly applied to developing and developed countries.

Korea (Governor Hong)

...I would like to highly commend the recent efforts of the Fund to strengthen its surveillance. And, to effectively prevent a crisis in the future, we support the Fund in the further adaptation and strengthening of its surveillance.

Lebanon (Governor Siniora) 5/

The Mexican financial crisis has highlighted the importance of pursuing sound economic policies and the readiness to adjust these policies in light of new developments. This lesson was reflected in many of the proposals that have been under consideration in the Fund, including the suggestions for a strengthened Fund ability in the field early detection of sources of tension in the economies of the member countries and in the international monetary system as a whole. We support this orientation. It is important, however, to stress the need to concentrate the efforts in this respect on those countries which have a great impact on the economic performance of other countries.

Malaysia (Governor Anwar bin Ibrahim)

We...support the initiative of the IMF to play a more active role in surveillance...

Malta (Governor Dalli)

...it is crucial for the Bretton Woods institutions to have the necessary means to deal with any crisis that threatens to arise. For this purpose the Fund in particular needs to strengthen its surveillance over its member countries to ascertain itself that sound fiscal and monetary policies are being pursued. In fact, the need to strengthen the IMF's surveillance function was an important issue discussed last June at the Halifax summit of the Group of Seven industrial countries.

Marshall Islands (Governor Zackhras) 8/

We support the Fund's proposal to improve its surveillance activities by obtaining reliable and timely data. However, we would like the Fund to take note of the need for technical assistance in the case of many developing countries, especially the small Pacific island countries which do not, at present, have the necessary capabilities to meet these reporting requirements.

Myanmar (Governor Win Tin)

...the haunting memory of the Mexican crisis ... rudely awoke us to the bitter lesson of how investor sentiment can upset the expected benefits from financial markets' liberalization..

Another lesson is the need for timely effective policy adjustments before being forced into action by the market. We therefore endorse a proactive role of the Bank and the Fund in surveillance and in assisting and advising developing countries in the management of capital inflows.

The Netherlands (Governor Zalm)

Financial crises are better prevented than cured. Thus, after the Mexico crisis the IMF has rightly given priority to a strengthening of surveillance. Already, substantial progress has been made toward making surveillance more continuous, more critical and frank...Furthermore, I welcome that the Fund itself is becoming increasingly open about its work, for example through the publication of background documents and the rich content of its recent Annual Report. Through this increased openness the Fund will gain strength and credibility.

Pakistan (Governor Jafarey)

...we welcome steps that have been taken recently to make surveillance more effective through the two tier requirement for regular and timely data on key economic indicators; to foster a closer and more continuous policy dialogue which is better focussed on countries of systemic importance; as well as on international financial flows and their sustainability. The Fund must stand ready to help countries improve their economic policies so that currency misalignments and balance of payments crises are less likely to occur; equally importantly, it must have the financial resources for corrective policy action when there are crises. In both these spheres therefore the Fund must ensure that it is strong enough to serve its purpose in the new environment of globalized markets.

The Philippines (Governor De Ocampo)

The new global reality that we must deal with underscores the need for closer surveillance of the performance of the member countries. It requires a more profound appreciation of the principles of transparency and accountability that enlighten policy-makers in each of the member countries of the two institutions.

Spain (Governor Solbes) 2/

The IMF continues to serve as the central forum of international monetary cooperation and to contribute to sound economic and monetary management in member countries. High on the agenda for the IMF should be to continue strengthening its surveillance in order to prevent, or improve the chances for a better handling of, financial crises.

[The EU] also strongly support the decision at our last Interim Committee to increase the IMF's focus on surveillance of capital flows and to expand its advice on capital liberalization, not least in order to make members more aware of the risks attached to over-reliance on easily reversible capital flows. We welcome the discussion by the Fund Board of the value and possibilities of extending the IMF's jurisdiction, drawing on OECD expertise, to capital account transactions.

Switzerland (Governor Stich)

Regarding the International Monetary Fund, developments are taking place in two areas which will considerably strengthen the basis upon which it will build in order to meet the challenges of the future. One of these consists in the efforts to improve the ability of the International Monetary Fund to perform one of its core tasks, namely the surveillance of economic policies. We are convinced that precisely in an environment of increasingly integrated markets for goods, services and capital, it will become yet more important that we succeed in convincing all member countries to commit themselves to orienting their economic policies toward stabilization. Only in this way can the positive effects of increasing integration be fully captured....An effective surveillance of economic policies also constitutes an important element which can help to reduce the likelihood and the consequences of future balance of payments crises.

Thailand (Governor Sathirathai)

To improve the Fund's early-warning mechanism, it is imperative that surveillance be strengthened and applied on a symmetrical basis. Borrowing and non-borrowing countries as well as countries with potential impacts on the global exchange market and international capital flows alike should receive effective and commensurable treatment.

Turkey (Governor Yilmaz)

...exchange rate policies now merit particular attention from the Fund. The globalization of the financial markets has changed the parameters of the international monetary system, and the Fund and its members need to adopt themselves to this new environment. It is now time to translate these agreed general principles into operational guidelines to help improve the Fund's surveillance. I join my colleagues in welcoming the conclusions of the Halifax Summit and the first monthly review of policy actions taken in response to the Madrid Declaration.

Strengthened surveillance will help avoid emergencies [such as the Mexican crisis] but should be accompanied by a mechanism for rapid and temporary balance of payment support, with appropriate conditionality, in case they occur.

United States (Governor Rubin)

...strengthened surveillance by the IMF itself must supplement market discipline.

United Kingdom (Alternate Governor George)

Integrated and liquid global capital markets mean that now, more than ever, prevention of crisis is better than cure. Sound economic policies, backed up by effective surveillance by IFIs and markets, are the key.

The UK has strongly supported efforts to improve the Fund's own surveillance procedures. That means a sharper focus on those countries of global significance, encompassing both industrial countries and emerging economies. It means franker and more candid assessments by Fund staff, Management and Board. And it means devoting more attention to financial market developments, capital flows and the maturity structure of debt.

4a. Data Provision to the Fund

Belgium (Governor Maystadt)

The recent studies of the Fund's Executive Board identified the improvements member countries needed to make in reporting their economic and financial data to the Fund, and I am happy that the Interim Committee has confirmed the findings of these studies.

Denmark (Governor Jelved) 1/

...the Fund must emphasize the need for members to provide better and more timely data both to the Fund and to markets. This issue is at the heart of the Fund's activities and the centerpiece of the present efforts to strengthen surveillance.

Fiji (Governor Vunibobo)

Development in small member countries like Fiji, can hardly cause a ripple on the world scene. The industrial countries very much hold the balance of order in the world markets. The proposed dual standards of data reporting to the Fund must reflect this relativity.

India (Governor Singh)

...we welcome the progress made in improving the flow of information to the Fund...

Japan (Alternate Governor Matsushita)

When appropriate...it is expected that the Fund, while making the most of its hard-won mutual trust with members, will use its influence to promote policy discipline with its members at an early stage through enhanced

surveillance, including data provision to the Fund and standards to guide members in the publication of data, as well as via an improved early warning system of national economic policies and financial market developments.

Lebanon (Governor Siniora) 5/

...a selective approach to the data requirements in the context of Fund surveillance is fully consistent with the principle of uniformity of treatment in carrying out the surveillance responsibilities.

Malaysia (Governor Anwar bin Ibrahim)

We...welcome the ongoing work in the Fund to strengthen its surveillance over member countries, including establishing standards for the provision and publication of data by member countries. However, we would like to emphasize that there should not be any differentiation between surveillance over borrowing and non-borrowing countries. All countries must be treated alike and relevant data made transparent to the international economic community.

Malta (Governor Dalli)

The mechanism for the prevention of crises requires a system whereby early warning is given of any impending danger to the economic system. In this regard, we support the declaration by the Group of Seven nations urging the IMF to establish benchmarks for the timely publication of key economic and financial data and to insist on full and timely reporting by member countries of standard sets of data.

The Netherlands (Governor Zalm)

A prerequisite for a frank policy dialogue is the provision of sufficient economic and financial data by the member states to the Fund, as well as the public at large. Statistical standards and publication guidelines will be useful.

Russian Federation (Governor Chubais)

...we wholeheartedly support the Fund's efforts to introduce stricter requirements for the provision of statistical information by its members. This approach is in keeping both with the Fund's traditions and with the letter and spirit of its Articles of Agreement. In our opinion, the Executive Board of the IMF is on the right track on this issue. Of course, the willingness of the Fund itself to provide the necessary technical assistance to national statistical services will be important, if progress is to be made in this area.

Switzerland (Governor Stich)

Measures to improve the provision of data and public access to economic and financial data on member countries, as well as to deepen the dialog

between the Fund and its members, will constitute an important contribution...

Turkey (Governor Yilmaz)

During last spring's meetings in Washington, we therefore stressed the need to give more continuity to the surveillance process and more frankness to the Fund's policy advice, and how important it is for countries to provide timely and comprehensive economic data to the Fund and even to the public....

4b. Standards for Publication of Data

Belgium (Governor Maystadt)

Substantial progress has...been made with regard to the establishment of standards to guide member countries in disseminating their economic and financial data to the public, and I am pleased to note that most member countries consider that the setting of such standards by the IMF is consistent with its objectives and mission, as set forth in the Articles of Agreement.

Canada (Governor Peters)

In the context of the IMF, Canada and its Summit partners are looking for reforms in the following key areas:

- ° strengthening the IMF's surveillance of national policies and financial market developments and promoting fuller disclosure of this information to market participants. Such measures will better help to identify problems before they reach crisis proportions.

Denmark (Governor Jelved) 1/

...the effectiveness of Fund surveillance and financial policies need to be clearly strengthened through regular and transparent information provided by member countries to financial markets. The more transparent information from member countries, and the more transparent policies are, the more gradual the reactions of the markets will be. This will allow countries to be better prepared to take action in a timely way - rather than reacting to crises with the accompanying hardships for their populations.

...the Fund must emphasize the need for members to provide better and more timely data both to the Fund and to markets. This issue is at the heart of the Fund's activities and the centerpiece of the present efforts to strengthen surveillance.

The Nordic and Baltic countries support the Fund's setting standards to guide member countries for the provision of data to the public and encouraging countries to produce, and widely disseminate, key data. We support that the Fund give technical assistance in cases where the

authorities need help to produce or release the data useful for financial markets. We welcome the endorsement of the Interim Committee on this issue.

Germany (Governor Waigel)

Greater transparency implies first and foremost the up-to-date and comprehensive disclosure of key economic data. The IMF has formulated a number of recommendations on this. Putting them into effect in member countries will also constitute an important element of a successful early warning system.

Japan (Alternate Governor Matsushita)

When appropriate ...it is expected that the Fund, while making the most of its hard-won mutual trust with members, will use its influence to promote policy discipline with its members at an early stage through enhanced surveillance, including data provision to the Fund and standards to guide members in the publication of data, as well as via an improved early warning system of national economic policies and financial market developments.

Korea (Governor Hong)

...we support the adoption of a standard format for the timely release of key economic indicators and financial market data of member countries.

Lebanon (Governor Siniora) 5/

[With regard to] data and information, it is...necessary to draw attention to the need to refrain from exerting any kind of pressure on countries to commit themselves to any specific publication standards.

Malaysia (Governor Anwar bin Ibrahim)

We...welcome the ongoing work in the Fund to strengthen its surveillance over member countries, including establishing standards for the provision and publication of data by member countries. However, we would like to emphasize that there should not be any differentiation between surveillance over borrowing and non-borrowing countries. All countries must be treated alike and relevant data made transparent to the international economic community.

Malta (Governor Dalli)

The mechanism for the prevention of crises requires a system whereby early warning is given of any impending danger to the economic system. In this regard, we support the declaration by the Group of Seven nations urging the IMF to establish benchmarks for the timely publication of key economic and financial data and to insist on full and timely reporting by member countries of standard sets of data.

The Netherlands (Governor Zalm)

A prerequisite for a frank policy dialogue is the provision of sufficient economic and financial data by the member states to the Fund, as well as the public at large. Statistical standards and publication guidelines will be useful.

Pakistan (Governor Jafarey)

...we welcome steps that have been taken recently to make surveillance more effective through the two tier requirement for regular and timely data on key economic indicators...

Russian Federation (Governor Chubais)

We...support the Fund's efforts to develop standards to guide members in the publication of statistical data. The set of statistical indicators proposed for regular publication seems to us reasonable and warranted. Of course, a restrained reaction to these proposals might be expected from those central banks which, in the past, pursued a policy of caution in publishing data on the level of their foreign exchange reserves. The experience of many countries, however, including Russia, demonstrates that it is a dangerous misconception to believe that stability may be maintained in the currency markets by concealing data on the levels of foreign exchange reserves. On the contrary, the lack of accurate information serves only to make market participants more nervous and to heighten the risk of a panic.

Spain (Governor Solbes) 2/

...the Member States of the European Union welcome the progress made by the Fund in establishing standards to guide members in the timely publication of key economic and financial information and urges all members to join in the efforts.

Switzerland (Governor Stich)

Measures to improve the provision of data and public access to economic and financial data on member countries, as well as to deepen the dialog between the Fund and its members, will constitute an important contribution...

Turkey (Governor Yilmaz)

During last spring's meetings in Washington, we therefore stressed the need to give more continuity to the surveillance process and more frankness to the Fund's policy advice, and how important it is for countries to provide timely and comprehensive economic data to the Fund and even to the public....

United Kingdom (Alternate Governor George)

...markets themselves must be able to reach informed and timely judgements about economic prospects. G7 leaders at Halifax called on the IMF to establish benchmarks for the publication of key economic and financial data. I welcome the action taken by the Interim Committee towards implementing that call. In particular, setting a more rigorous standard for those countries that aspire to use international capital markets represents a significant step forward. It is crucial that the Fund identifies for the higher tier only those countries continuously meeting the higher standard.

United States (Governor Rubin)

... More important than any international lending package is the need for full disclosure of financial information, so that public and private analysts can detect potential dangers and prevent crises before they occur. Disclosure, which is at the core of the American regulatory system for the securities markets, is a powerful, powerful preventative. The International Monetary Fund is now working on a comprehensive list of financial data and national accounting standards to which our nations should adhere. The standard must be rigorous, and there must be clear identification of which nations are adhering and which are not.

5. Capital Account Matters and Financial Systems

Australia (Governor Willis)

The past year has demonstrated again how capital markets can - and will - react when they believe economic policies are unsustainable. The benefits associated with allowing business ready access to international capital markets are very important but they also carry additional risks. This will make it all the more important to maintain sound fiscal, monetary and structural policies.

Brazil (Governor Malan) 3/

While we all appreciate the benefits of international capital flows, their volatility can be an obstacle to the sustainability of global expansion and is a matter of great concern to Latin America - and we are not alone on that. As a result of its continuing integration into the world economy, Latin America has become more exposed and vulnerable to the instability of financial markets....

The Halifax Summit communique, among other things, acknowledged that, under present conditions and even with better surveillance, financial crises may not always be prevented. For this reason, the G-7 and the IMF, according to the communique, must be prepared to take rapid action in a well coordinated fashion to help a country to overcome the adverse consequences of such upheavals....

Nevertheless, there seems to exist, from our point of view, the need for further international cooperation among all parties concerned so as to enable them better to handle the risks caused by the volatility of financial markets.

...member countries should consider doubling IMF quotas, "inter alia," to meet new demands resulting from the need to assist countries facing abrupt reversals of capital flows and speculative attacks against their currencies.

It is still not clear whether the supply of savings will be, in the medium run, enough to finance, at acceptable interest rates, the potential demand for capital derived from the continuing growth of industrial countries, developing countries and countries in transition. Excessive budget deficits in most industrial countries seem to be the root of the present savings slowdown, which can create problems for the world economy in the near future.

Fiji (Governor Vunibobo)

The recent market volatility have been enhanced by greater capital mobility across borders and time zones. In developing countries, the struggle to restructure and develop a more efficient economy will take time. During this market liberalisation process, developing countries become extremely vulnerable to large fluctuations in world market conditions. Capital controls therefore offer essential support. I therefore urge the Fund to resist the move to make capital liberalization mandatory under the Articles of Agreement. Instead, the Fund could continue to advise members on a case by case basis under the current Article IV consultation framework.

Gabon (Governor Doupamby Matoka) 4/

...we fear that growth in developing countries, at least in the short term, will be affected by a slowdown in capital flows to emerging and other developing countries. Added to this is the risk entailed by instability in international financial markets and exchange rate distortions of the major currencies.

While greater flows of official and concessional assistance to our countries are indispensable, we hope that the international community will help us create the necessary conditions to attract private capital flows. We believe, in this regard, that the economic and institutional reforms and the process of political liberalization in progress in our countries will serve to stimulate foreign investment.

Germany (Governor Waigel)

...there is no reason to relax reform efforts. On the contrary, the events at the beginning of the year have clearly shown how swiftly today's closely-linked international capital markets can "penalise" misdirected policy decisions. Thus it is important for the reforms introduced with great

success over the past few years to be continued and - where necessary - strengthened.

A steady, stability-oriented consolidation policy is also the key requirement for stable exchange rate relations. This was again demonstrated with particular force by events on global financial and currency markets at the beginning of the year. The attention of international markets is now focused more than ever before on national economic and monetary policies. International investors now respond almost instantly to misdirected economic policy decisions. Policies have to take these new global circumstances into account.

Sudden and massive capital movements present new and major challenges to national economic policies. We cannot and do not wish to undo the liberalisation of capital movements. It would be a major mistake to believe that we could evade the discipline of the markets by means of government intervention or by postponing unavoidable liberalisation measures. Those who do not accept this risk welfare losses....

The IMF must not become a financial "safety anchor" for all sorts of economic problems. Any risks principally have to be carried by market participants. A bailing out only increases the moral hazard effects. Only in the case of systemic risks for the global financial system may funds be committed. Crisis prevention must, however, be first priority.

Italy (Governor Dini)

The international community's successful action in preventing the Mexican crises from having disruptive effects and spilling over to other countries in the region has shown that collective responses to destabilizing capital flows can be effective when they are prompt and resolute....

Markets' growing sensitivity to domestic and external imbalances has added a new dimension to the challenges confronting policymakers, while the discipline markets impose is a powerful incentive to implement sound macroeconomic policies, their overreaction to uncertainty or delayed policy actions may prevent the attainment of socially desirable goals, and even result in financial and real instability.

Japan (Alternate Governor Matsushita)

The dramatically expanding flows of capital in private sectors and the emergence of new financial products have contributed, I am sure, to the growth of the world economy, by rapidly expanding the international capital markets and furthering integration. On the other hand, the expansion and integration of the financial markets has created new risks in which a financial crisis in one market can have an immediate and contagious effect on other markets.

To date, the International Monetary Fund has played a pivotal role in the international monetary system. I hope and trust that the Fund will also play a leading role in coping with this new risk.

To cope with a liquidity crisis with systemic risks, prevention is the best course of action. For that, it is essential that each member country pursue a sound fiscal and monetary policy of its own. When appropriate, however, it is expected that the Fund, while making the most of its hard-won mutual trust with members, will use its influence to promote policy discipline with its members at an early stage through enhanced surveillance, including data provision to the Fund and standards to guide members in the publication of data, as well as via an improved early warning system of national economic policies and financial market developments.

Should such a crisis occur, it is essential that the Fund play a central role in coordinating concerted action by the whole international community. And, in this sense, the exceptionally swift and bold action taken by the Fund and its members in response to a series of developments in the emerging economies last January should be taken as an example of our firm commitment and determination to contain crises.

...under an international regime of cooperation led by the Bank and the Fund, Japan will also contribute, together with other member countries, to building a safety net to cope with potential risks in global financial markets. This is a new priority that requires global initiatives, and it is an urgent task indeed...it is crucial to preserve the stability of the world's financial markets, especially when their dramatic expansion and integration mean that the economic policy of one nation can have a greater impact than ever on other economies.

Korea (Governor Hong)

...I strongly urge the Fund to provide policy suggestions to improve the stability of capital flows into developing countries. In particular, capital flows must be balanced with a country's economic fundamentals. In addition, the Fund must strengthen the means by which it can manage any future financial crisis.

Malaysia (Governor Anwar bin Ibrahim)

Over the past few years, there have been unprecedented surges of private capital flows into developing countries leading to excessive liquidity expansion and upward pressures on real exchange rates. These flows have, however, been concentrated in a few selected developing countries and their sustainability is questionable and worrisome. The risk of sudden reversal looms large as investment decisions react to perceived or real dangers to domestic or external stability. Financial discipline therefore needs to be strengthened. We therefore support the initiative of the IMF to play a more active role in surveillance and in developing mechanism to assist such countries cope with such situations. These institutions must also seek to improve the access for those countries that have not been able to attract

private capital flows, especially low-income countries undergoing structural adjustments.

Malta (Governor Dalli)

Other problems facing the world economy should not be overlooked. In the past months there were cases of interest rate and exchange rate volatility among the major currencies and rapidly shifting sentiments in international capital markets. A case in point is the sudden and sharp reversal of capital flows to Mexico. In this instance, the IMF acted quickly and effectively to support Mexico's strong adjustment programme and to isolate emerging markets from the resultant spillover effects. With few exceptions capital inflows to developing countries were sustained at relatively high levels, thanks to the action by the Fund.

On the one hand, the Mexican crisis demonstrated the firmness with which international capital markets deal with policies which fail to mirror economic realities. On the other hand, it showed how much more effective it is to avoid rather than resolve a crisis.

Since the liberalization of capital account transactions can create exchange rate pressures through the effect of destabilising speculative flows, we cannot but agree with the Executive Board of the IMF that more attention should be paid to capital account issues where IMF surveillance and technical assistance is concerned.

Myanmar (Governor Win Tin)

Another lesson is the need for timely effective policy adjustments before being forced into action by the market. We therefore endorse a proactive role of the Bank and the Fund in surveillance and in assisting and advising developing countries in the management of capital inflows

Pakistan (Governor Jafarey)

Many speakers have touched on the globalization of financial markets. This increased openness to international trade and financial markets has been a welcome and positive feature and has contributed to growth and welfare of countries and their partners in trade. However, it has also made countries more vulnerable to sudden shifts in market sentiment, be they favorable or adverse, arising from changing perceptions in world capital markets and in investor sentiment towards emerging markets. The potential volatility of capital in a globalized world economy carries important implications both for economic policies in all countries and for the IMF as the central institution of the international monetary system.

Russian Federation (Governor Chubais)

...the liberalization of capital account transactions definitely requires establishment of the necessary prerequisites, both macroeconomic and institutional....

The accelerated globalization of capital markets has sharply reinforced the economic interdependence of all countries of the world, as evidenced by the financial crisis that occurred in Mexico.

South Africa (Governor Liebenberg)

South Africa supports many of the new directives to stabilise international capital flows and financial markets. In particular that the IMF develop an appropriate early-warning system.

Spain (Governor Solbes) 2/

The EU also strongly support the decision at our last Interim Committee to increase the IMF's focus on surveillance of capital flows and to expand its advice on capital liberalization, not least in order to make members more aware of the risks attached to over-reliance on easily reversible capital flows. We welcome the discussion by the Fund Board of the value and possibilities of extending the IMF's jurisdiction, drawing on OECD expertise, to capital account transactions.

Switzerland (Governor Stich)

...the globalization and liberalization of capital movements allow a more efficient allocation of savings and, thus, increase the growth potential of the global economy. However, in a context of increasingly integrated financial markets, unpredictable and large fluctuations can occur. Such fluctuations can normally be limited, especially if expectations of market participants can be stabilized by a strong economic policy in a medium-term framework. However, markets can overreact, in the short run, putting individual countries, in particular developing countries with emerging markets, under severe pressure. In such situations, it is important that it be avoided that countries resort to measures destructive of national or international prosperity.

Thailand (Governor Sathirathai)

Of particular concern to policy-makers in emerging markets is the size and pace of short-term capital flows. Many of them have, therefore, justifiably resorted to temporary restrictive measures in order to alleviate the situation. The sensitivity of borderless markets to systemic threats has made it urgent for authorities worldwide to strengthen their communication channels and policy coordination.

On the proposal to expand the institution's role and jurisdiction into the capital account against the backdrop of higher globalization and liberalization of financial markets, we share the view that capital account convertibility deserves careful deliberation on the part of the authorities. No member, however, should be pressured to move prematurely towards relaxation of capital controls.

Turkey (Governor Yilmaz)

The integration of the emerging markets into the global capital markets has been accompanied by an acceleration of capital inflows into those countries, bringing both benefits and problems. Mexico's experience shows how quickly such inflows can reverse to become outflows, causing serious economic disruption.

United Kingdom (Alternate Governor George)

Integrated and liquid global capital markets mean that now, more than ever, prevention of crisis is better than cure. Sound economic policies, backed up by effective surveillance by IFIs and markets, are the key....

...we must never give the world's capital markets the impression that the international financial authorities will ride to the rescue of every sovereign debtor in difficulties over debt service or foreign exchange. Creditors should not assume they will be bailed out. That is one very important reason why the use of the GAB has always been so tightly circumscribed. Moreover, we must now acknowledge that in today's capital markets, private sector flows have become much larger than the amounts available in the form of official finance.

The UK authorities attach great importance to the statement by G7 leaders at Halifax that "there can be no presumption that multilateral financing will be provided in every instance of local or regional financial crisis". Because if markets think otherwise, it could lead to a serious distortion in the way they allocate global savings. Flows to a number of sovereign debtors would be too large, priced too cheaply, and continue for too long. Countries could be lulled into delaying the stabilisation and adjustment policies needed to secure their medium term economic health and stability. We would, in short, be creating significant moral hazard for both lenders and borrowers....

As far as the IMF is concerned, we must never lose sight of the fact that its primary purpose is to support countries that pursue sound policies. The Fund has not been tasked with the job of "bailing-out" creditors. Nor is it, and nor can it become, a lender of last resort to the international financial community....

5a. Soundness of Financial Systems

Brazil (Governor Malan) 3/

We would like, in this context, to share with you the following proposals aiming at strengthening and developing international mechanisms for consultation and coordination among Government, through a network of institutions and arrangements. They include both preventive and remedial measures, reserving for the IMF a central role in the process envisaged:

b) to enlarge the scope of coordination of macroeconomic policies among countries which may have a significant impact upon the international financial system. This could be done within the context of the IMF. Such an effort should lead to public disclosure by participating countries of the general policies they intend to pursue;

c) taking into account such public expressions of intention, to improve international surveillance--which must become more symmetrical--over domestic macroeconomic policies. This would foster greater transparency and predictability in international financial markets...

Republic of Croatia (Governor Prka)

Globalization of the world financial markets and sophistication of financial instruments (like the much talked about derivatives) point to the fact that crises in one country can very speedily spill over to other countries as well.

Fiji (Governor Vunibobo)

...the efforts of developing economies have not been helped by the intense and regular volatility in the global exchange market. The contagion effects of this turbulence is rapidly transmitted to emerging markets, destabilises debt servicing and complicates reform implementation.

Gabon (Governor Doupamby Matoka) 4/

...recent trends in financial markets show reflows of resources not only from certain emerging countries but also from many other developing countries, which forces us to temper our optimism about the continued expansion of the world economy. We are concerned about the negative impact of these trends, given the inherent weaknesses of the international financial system. The Mexican financial crisis bears witness to the precariousness of this situation. In fact, we fear that growth in developing countries, at least in the short term, will be affected by a slowdown in capital flows to emerging and other developing countries. Added to this is the risk entailed by instability in international financial markets and exchange rate distortions of the major currencies.

We urge the major developed countries, working in concert with the Bretton Woods institutions, to identify solutions that will mitigate, or even prevent, these problems. It is in this context that we welcomed the decision of the G-7 meeting in Halifax to discuss issues related to the role of the multilateral financial institutions in the new international economic environment. While praising the outcome of this meeting and in particular, the pledge made by the participants in regard to strengthening the multilateral institutions, encouraging the growth of the global economy, reducing poverty, and responding to and if possible preventing crises, it is our hope that in common with all of the developing countries, we will henceforth be fully included in all discussions aimed at improving the

international financial system, so as to ensure that our concerns and interests are duly taken into account.

Indonesia (Governor Muhammad)

The globalization of financial markets has meant that we and other developing countries have been affected by events that only a few years ago would probably have had little impact on us. With daily foreign exchange transactions now running at some 70 times the volume of world trade, what happens on one side of the world causes turbulence in countries on the opposite side of the world. The volume of short term money that now moves around the world threatens the ability of any single country, acting on its own, to maintain stability. Similarly, efforts on our part to use monetary policy to manage the economy are constrained by interest rates elsewhere, particularly in Europe and in the United States. In sum, monetary policies can no longer be designed in isolation, and their power to encourage stability is being eroded.

The globalization of capital markets has meant that our government budgets and our foreign exchange positions are driven by exchange rates between currencies other than our own. The recent shifts in the yen/dollar rates, for example, have increased and then lowered our debt service payments. The results of all this is that individual countries are bounced around by unstable world markets and have less and less control over their destinies. Only collective action, with the support of multilateral institutions, can deal with unstable international financial markets and exchange rates.

Japan (Alternate Governor Matsushita)

...it is crucial to preserve the stability of the world's financial markets, especially when their dramatic expansion and integration mean that the economic policy of one nation can have a greater impact than ever on other economies.

...under an international regime of cooperation led by the Bank and the Fund, Japan will also contribute, together with other member countries, to building a safety net to cope with potential risks in global financial markets. This is a new priority that requires global initiatives, and it is an urgent task indeed; it is crucial to preserve the stability of the world's financial markets, especially when their dramatic expansion and integration mean that the economic policy of one nation can have a greater impact than ever on other economies.

Lebanon (Governor Siniora) 5/

During the past year, the world financial markets have experienced a series of unfavorable developments, beginning with the marked rise in long-term interest rates in many industrial countries, and including, of course, the severe financial crisis that hit the Mexican economy and the turbulence in currency markets in the first half of this year. These developments have

added considerable importance to the wide-ranging debate, which had already begun in connection with the commemoration of the 50th Anniversary of the Bretton Woods conference, regarding the modernization of the framework for international cooperation. As we pay full tribute to the Bank and the Fund for their efforts in the past few months in the implementation of proposals aimed at enhancing their effectiveness, we wish to emphasize the importance of perseverance with these efforts to ensure that both institutions are fully equipped to address the challenges emanating from the dramatic political and economic changes that have taken place on the international scene in recent years.

Malaysia (Governor Anwar bin Ibrahim)

We are very concerned over the fragility of the banking system in a number of countries. We fear that the failure of some banks could have contagious effects on the international banking system which could undermine the stability of the international financial system. Therefore, supervisory authorities must take appropriate measures to strengthen the institutions under their regulation to help restore confidence and avoid broader financial instability.

The Philippines (Governor De Ocampo)

While more intensive international market integration has introduced vast opportunities for the world's population, it has also created new vulnerabilities. Much of the vulnerabilities recently exhibited by the world financial system has been due to national policies that respond to domestic political pressures at the sacrifice of the stability of the entire global financial order. Through strengthened mechanisms for consultation and coordination, we should be able to reduce the significance of these vulnerabilities. But national governments, as well, must evolve a new level of sensitivity to the extent of interdependence of the world's economies--- particularly the financial markets.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

Undoubtedly, fluctuations in capital flows pose many risks not only to developing countries, but also to the entire international financial system, especially in the context of the globalization and integration of financial markets. Hence, it is incumbent upon the international community to stand ready to help member countries which are faced with the problem of capital flight caused by dramatic speculations on capital markets or external factors over which the relevant authorities have no control.

Turkey (Governor Yilmaz)

The financial markets are now watching the soundness of countries' policies much more closely, and can react more swiftly to any inconsistencies, and policy makers now have less room to make mistakes. The growing integration of the global market also increases the speed with which

shocks to one part of the system can spread to other countries which are not involved in the conditions which caused the crisis.

United Kingdom (Alternate Governor George)

A recent Fund Board discussion rightly emphasised that liberalisation of capital account transactions--an objective that the UK authorities strongly support--has to be accompanied by broad financial sector reform.

United States (Governor Rubin)

The emergence of a truly global economy has opened up enormous new prospects for all our countries. Nevertheless, as we saw this year, with those prospects come new risks and problems. Mexico provided one of the clearest examples to date of the extent to which our nations' interests have become interlinked. Financial instability in one part of the world increasingly threatens others' prosperity.

5b. Bank Supervision

Brazil (Governor Malan) 3/

We would like, in this context, to share with you the following proposals aiming at strengthening and developing international mechanisms for consultation and coordination among Government, through a network of institutions and arrangements. They include both preventive and remedial measures, reserving for the IMF a central role in the process envisaged:

a) to broaden the cooperation amongst monetary authorities. What is needed is a more structured procedure - with larger participation - which would make it possible to anticipate problems through a better exchange of views and information. It would be a sort of preventive consultation mechanism conducted in a discreet manner. The Bank of International Settlements has started a process with the participation of some developing countries along these lines which should be encouraged...

Greece (Governor Papantoniou)

In financial markets, increasing integration and globalization may require a strengthening of market oversight activities, in order to spread the essential benefits of free capital movements to wider segments of our societies.

Malaysia (Governor Anwar bin Ibrahim)

We are very concerned over the fragility of the banking system in a number of countries. We fear that the failure of some banks could have contagious effects on the international banking system which could undermine the stability of the international financial system. Therefore, supervisory authorities must take appropriate measures to strengthen the institutions

under their regulation to help restore confidence and avoid broader financial instability.

United States (Governor Rubin)

...the greatly increased size and speed of the markets, the great increase in the origination and use of complex new instruments, as well a number of episodes which we have seen in the public and private sector, point up the need for greater attention to risk management and to up to date regulation. And, these issues are now receiving attention. Nonetheless, I believe there is a need for more than ritual calls for cooperation, though I think cooperation is critical to avoid activity simply seeking the locale with the weakest regulatory requirements.

We must provide at least the following:

- 1) adequate systems of risk management in the private sector and in the public regulatory domain, while at the same time recognizing--contrary to the claims of some--that no risk management system, no matter how many armies of PhDs and traders have been involved in the engineering, can provide certainty;
- 2) effective internal controls, and regulatory monitoring of those controls;
- 3) enhanced capital and prudential standards;
- 4) improved disclosure by market participants; and
- 5) stronger safeguards in payments and settlement systems and exchanges.

Our aim must be to preserve the benefits that innovations offer, while minimizing dangers.

United Kingdom (Alternate Governor George)

The combination of capital account liberalisation and deregulation means that most financial organisations now handle instruments that straddle different markets and different countries. These developments make it imperative that financial supervisors work closely together across both national and industry frontiers.

It is against this background of increasing globalisation in financial services that the G7 Leaders called for the BIS and IOSCO to report on how closer cooperation between regulators and supervisors could enhance the monitoring and containment of risk.

6. Eleventh General Review of Quotas

Australia (Governor Willis)

...because surveillance will not always prevent crises, it is essential the Fund be adequately equipped to deal with emergencies when they arise.

The Mexican crisis is a reminder of the size and speed of the capital flows that can occur and therefore the magnitude of the resources required for effective intervention.

Quotas are at the heart of the operation of the IMF and it is our firm belief that the IMF should remain a quota-based institution. Australia supports an increase in quotas and we encourage the Executive Board of the Fund to expedite its further work on this issue.

Austria (Governor Staribacher)

I would like to recall that Austria has always supported the concept to equip the International Monetary Fund with adequate financial resources and have the IMF financed in its normal operations primarily through the quotas. With this in mind, we favor a capital increase in the framework of the ongoing general review of quotas.

Barbados (Governor Arthur) 7/

We give our full support to your efforts, Mr. Managing Director, to conclude an agreement to increase the resources of the Fund. Accordingly:

We support, an equi-proportional doubling of Fund quotas under the Eleventh Quota Review which should be followed by a discussion on selected quota increases to correct any anomalies that may exist...

Belgium (Governor Maystadt)

The third lesson of the Mexican crisis involves the Fund's financial resources. Discussions are now under way on a new parallel financing facility to supplement the General Arrangements to Borrow, in order to double the resources currently available under those Arrangements. However, the new facility must be considered solely a safety net for exceptional circumstances and is not tantamount to a new increase in the normal resources of the Fund. The discussions on the increase of quotas must therefore be accorded priority. As the liquidity position of the IMF is likely to deteriorate markedly in the years ahead, it appears critical to me that, if the Fund's activities are to continue normally beyond 1998, an agreement must be reached on a substantial increase in quotas by the end of next year at the latest, given the necessary timeframe for approval by our national legislatures.

Brazil (Governor Malan) 3/

...the G-7 proposed in Halifax that the G-10 and other countries with an important stake in the financial system should provide loans with a view to doubling as soon as possible the credit lines currently available to the IMF through the General Arrangements to Borrow. In this regard, the Interim Committee emphasized the importance that all participants should be treated equally, and agreed that expanded borrowing should not be a substitute for a quota increase....

[There is a need] to expand existing facilities to stabilize currencies under temporary speculative attacks, not warranted by fundamentals. In this regard, the proposed increase in the credit lines available to the IMF under the General Arrangements to Borrow and the obtention of contributions to this facility by new participants was viewed as a positive initiative.

...more basically, member countries should consider doubling IMF quotas, "inter alia," to meet new demands resulting from the need to assist countries facing abrupt reversals of capital flows and speculative attacks against their currencies.

China (Governor Zhongli)

We support a large increase of...quotas in a timely fashion in order to [enable the Fund to] provide adequate assistance to the financial needs of its member countries. In our opinion, the growth of developing countries should be fully reflected in the calculated [and] actual quotas of the IMF. In the past 16 years, economic growth...in China has averaged 9 percent, which is much higher than the world average. China's foreign trade has also been expanding rapidly. However, since the Ninth General Review, [China's quota share] has been on a continuous decline and [its] present [quota] does not truly reflect its growing economic strength. We are seriously concerned with this anomaly and hope that it can be duly addressed by the IMF as early as possible.

Republic of Croatia (Governor Prka)

[The Fund needs] to strengthen its surveillance so as to prevent future crises and, if they occur, be strengthened financially to intervene in a more efficient way. This basically means increasing its resources through the possible Eleventh General Review of Quotas and proposals for doubling the General Arrangements to Borrow.

Denmark (Governor Jelved) 1/

Another important issue is the Fund's resources. It is essential for the Fund to have adequate resources to allow it to fulfil its mandate for the future. The Fund has to strengthen its resources by expediting the Eleventh Review of Quotas to obtain sufficient ordinary resources to meet the needs of its members. We need to move quickly to complete the review of quotas.

Fiji (Governor Vunibobo)

...the recent Mexican crisis has taught us many lessons. In particular, the crisis severely tested the resource availability and mobilisation capability of the Bretton Woods structure. Is the current liquidity sufficient in the event of another major crisis? We must urgently buttress the liquidity of the Fund and the Bank. Although, I join the call for a speedy negotiation of the Tenth Review of Quotas, I fully realise that this will take time. The strengthening of the GAB can offer an immediate fall-back solution.

France (Governor Arthuis)

Procedures have been put in place and financial resources are available but they must be further increased. The IMF must attain a size commensurate with the development of world trade and have resources appropriate to the requirements of its members and necessary for its own financial soundness. It is therefore important that we reach rapid agreement on a substantial and equitable increase in IMF quotas. To me, this is the number one priority because it affects the Funds equity and therefore the solidity and financial credibility of the institution.

Germany (Governor Waigel)

...crisis situations will not always be preventable. We therefore want to speed up procedures for the allocation of IMF credits. But this cannot and should not be seen merely as a question of additional funding....

I expressly welcome the ongoing quota review. The IMF quotas are not only its general source of funds but also a reflection of the solidarity of its members and of their commitment to the institution.

India (Governor Singh)

The Interim Committee in April had given a clear direction to the Executive Board of the Fund on the eleventh quota review. Regrettably, not much progress has been made. I am also concerned that the preliminary calculations in Fund staff papers suggest a further reduction in the share of developing countries as a group in Fund quotas. These calculations do not take into account the improved economic performance of developing countries in the last few years. Nor do they reflect the growing awareness of the emerging role of developing countries as a major locomotive of world growth. Clearly, these formulae need to be reconsidered before they are used for determining quotas for the eleventh review.

...there is a danger in allowing a widening gap between the international community's recognition of the need to augment the Fund's resources and its ability to provide resources to fulfill the larger mandate. An inadequately funded institution will lose credibility and this could compound the problems of volatility and uncertainty in the international economic environment. This could weaken the reformist thrust

in developing countries and dampen the growth of world output and trade. We must strive jointly to overcome the hurdles in the path of the necessary augmentation of the Fund's resources.

Ireland (Governor Quinn)

I feel there is certainly a case for a substantial quota increase, structured so as to more accurately reflect the relative standing of members in the world economy....

Islamic Republic of Iran (Governor Mohammad-Khan)

Global economic developments in recent years necessitate an increase in international liquidity and the resources of the Fund.

Japan (Alternate Governor Matsushita)

The new financing arrangements alone, however, will not allow us to maintain the resources of the Fund at required levels, when we consider the diverse roles of the Fund, such as support for strengthening stability of economies in transition and of emerging economies. Economies in transition, in particular, deserve continued support for their efforts to privatize public sector corporations and to implement structural adjustments, regardless of the improvement in the macroeconomic situation. Accordingly, candid discussions must be held among member countries to make the Fund's resources sufficient through the Eleventh General Review of Quotas.

Korea (Governor Hong)

...the Fund's resources should be augmented to sufficient levels. To augment the resources, I believe that the Eleventh General Review of Quotas should be given the first priority. The Korean Government strongly supports an ad hoc increase of quotas for countries with a divergence between the actual and calculated quotas. It is important that the quota, as the basis for the rights and obligations of a member country, should keep pace with the relative economic position in the world economy.

Lebanon (Governor Siniora) 5/

...we need to keep in mind that the effort made to enhance the Fund's capacity to detect financial crises does not, in any way, diminish the importance of ensuring that the institution is always in a position to perform its financing role most effectively. This requires, first and foremost, the adequacy of the Fund's own resources. With this in mind, we look forward to the completion of the eleventh quota review. In this regard, I would like to underscore the need to avoid distributing the quota increase that may be agreed in a manner that leads to reducing the quota share of developing countries in total Fund quotas.

Malaysia (Governor Anwar bin Ibrahim)

We note that there has been a rise in the demand for Fund resource, given the growth of the world economy, the needs of the formerly centrally planned economies as well as the response to new situations. In addressing this issue, we are aware that the Fund is currently considering a number of measures to augment its resources. Although we are supportive of the enlargement of the General Arrangements to Borrow, we are of the view that an increase in quotas under the Eleventh General Review of Quotas should also be accorded utmost priority. Given that growth in the world economy has far outpaced growth in the size of the Fund, an increase in quotas is imperative, not only to enable the Fund to meet adequately the financing needs of the membership, particularly the low-income developing countries, but also to enhance its capacity to deal effectively with systemic financial crises.

Malta (Governor Dalli)

We also hope that the Eleventh General Review of Quotas will be completed as soon as possible to ensure that the IMF is adequately funded.

Marshall Islands (Governor Zackhras) 8/

We support the Fund's proposal to increase its liquidity by doubling the quotas and urge the Executive Board to conclude the Eleventh General Review at an early date. It is desirable, however, that the quota increase be allocated equiproportionately to all members.

The Netherlands (Governor Zalm)

International developments since our meeting last year have underscored the importance of permanent flexibility of IMF and World Bank. More effective instruments and procedures are being developed. Now, the continued availability of sufficient financial resources needs to be ensured. This calls for early progress on the Eleventh Quota Review and IDA-11 negotiations.

We feel that swift progress is needed on the Eleventh Quota Review. The IMF sees itself confronted with an increasing complexity of the global monetary system. The world economy and trade have grown considerably. Adequate resources to support strong adjustment programs are essential. Therefore, if we want to continue relying on the IMF, an early agreement on a substantial quota increase is absolutely needed. In our view a doubling of the quotas would be warranted. We call on member countries to participate in the coming months in the discussion in a pragmatic and constructive manner.

Pakistan (Governor Jafarey)

We feel it is essential that the Fund have the means to provide countries with financial assistance and contribute effectively to the

orderly resolution of crises when they do arise, and one way to ensure this would be to expedite the conclusion of the next general review of Fund quotas, which is the essential basis of the IMF's financial assistance to member countries. I am gratified that the Interim Committee has asked that the exercise pertaining to the Eleventh Quota be moved forward expeditiously. We hope that the size of the increase in quotas will be of a magnitude that will ensure that the Fund keeps pace with the growth of the world economy and reflects the increased scale of international financial flows.

The Philippines (Governor De Ocampo)

In the face of the new global realities, the Philippines supports moves to augment the resources of multilateral institutions.

Russian Federation (Governor Chubais)

With regard to the Fund's possible financial participation in surmounting new financial crises, we support the concept of increasing its capital under the Eleventh Review of Quotas. Our preference, both with a view to the most speedy resolution of this issue and in light of the discussions already held by the Executive Board, is for the version increasing quotas on a proportional basis. As far as the size of the capital increase is concerned, we are prepared to show flexibility in order to achieve the necessary consensus.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

...it is necessary to bolster and strengthen the IMF financial base through appropriate increases in quotas to enable the IMF to extend timely assistance to member countries facing crises. Therefore, we deem it necessary to advocate the need for expediting the Eleventh Review of IMF Quotas in order to ensure that developing countries have reasonable quota increases proportionate to their financing needs.

Spain (Governor Solbes) 2/

The Eleventh Review of Quotas is in progress and the Member States of the European Union welcome the fact that a majority of IMF members are in favour of an appropriate increase of quotas. Provisional views expressed in the Board suggest that many members have a certain preference that the distribution of the quota increase should be largely equiproportional and yet should be carefully balanced with the aim of keeping quotas roughly in line with the changing economic weight of countries. In this regard, the Member States welcome the broad support that Board discussions have revealed for an ad hoc increase in quotas for a reduced number of countries with the largest deviations between actual and theoretical quota shares. Lastly, the Member States note with satisfaction that a very broad majority of members is of the view that, in general, the quota formulae are working broadly as intended.

Switzerland (Governor Stich)

It is clear to us that the resources available to the Fund should keep pace with the growth of the world economy. We therefore support the endeavor to increase the Fund's main source of financing—the quotas of its members—in the context of the Eleventh General Quota Review.

Thailand (Governor Sathirathai)

Thailand always welcomes efforts to increase Fund resources both to finance Fund-supported programs on a wider scale and to arrange for contingency plans in response to emergencies. The Fund's liquidity position is projected to decline somewhat over the next two years. Therefore, we strongly urge the Fund to expedite the Eleventh General Review of Quotas. This review should adequately provide for selective increases that bring actual quotas more in line with calculated quotas for the largest number of countries possible.

Tonga (Governor Fakafanua)

I support the need by the Fund for more resources to ensure that it meets its commitments in developing countries, particularly in the area of structural adjustment.

Turkey (Governor Yilmaz)

While we strongly believe the Fund must remain a quota-based institution, we also support exploring the possibility of expanding the General Arrangements to Borrow (GAB), but insist that any enlargement of the GAB should not be regarded as a substitute for an increase under the Eleventh Quota Review.

Ukraine (Governor Mitiukov)

While the Currency Stabilization Fund, and other newly instituted mechanisms such as Post-Conflict financing, emergency-financing, improve the utilization of existing Fund resources, it will also be necessary to move forward with expansion of resources.

We strongly support the quota expansion and consider the doubling of this as an appropriate benchmark.

United Kingdom (Alternate Governor George)

We are ... making important progress towards ensuring that the Fund will continue to have sufficient resources to help countries implement sound adjustment policies. There now seems to be a near consensus on the case for a quota increase, although much work remains to be done on determining its appropriate size, distribution and timing.

Vietnam (Governor Cao Sy Kiem)

I would like to call upon donor governments to adopt a more global view and take actions to increase official flows, since many developing and transition countries need both financial and advisory assistance to maintain the momentum of economic reforms. In this context, the Bank's replenishment of IDA-11 and the Fund's eleventh general quota review are extremely necessary.

7. GAB Borrowing

Australia (Governor Willis)

Australia...supports the proposals to double the General Arrangements to Borrow. We would be prepared to participate in a broader arrangement only on the basis that: all participants should have the same rights and responsibilities; there should be no second class citizens; contributions should be based on the relative economic standing of participants; and new participants should participate fully in the activation arrangements, and voting rights should be determined by the shares of commitments.

Austria (Governor Staribacher)

...the recent Mexican crisis has demonstrated the need for the Fund to have access, in times of emergency, to financial means of extraordinary magnitude in addition to its normal resources. There are thus good reasons for agreeing with some of the conclusions in the Halifax-communique. The proposed GAB-enlargement aims at bringing it to a volume more consistent with the changes in the world economy since the instrument was originally established. The means by which one should take into account the new realities of countries' financial strength and thus possibly their responsibility for risks in the global system remain an open question.

As one of the potential candidates for participation in the GAB-enlargement, Austria takes it for granted that all participants will be treated according to the principle of equal rights and responsibilities and, in particular, that no distinction will be made with respect to new and old members. Unfortunately, certain provisions of the G-10 proposal seem to go in the direction of an asymmetrical arrangement, implying tougher rules and less voice for non-G-10 members in the decision-making process. These issues need further clarification, but we will also continue to study thoroughly the alternative proposal made by the Fund Management for funding additional lines of credit, one of whose attractive features is that it is equitable. At this point, we can only say that we are open-minded and will approach all options in a constructive manner.

Barbados (Governor Arthur) 7/

We...note the agreement on proposals to reactivate and simplify the General Arrangements to Borrow, but recognise that they are no substitute for the Fund's ordinary resources.

Belgium (Governor Maystadt)

The third lesson of the Mexican crisis involves the Fund's financial resources. Discussions are now under way on a new parallel financing facility to supplement the General Arrangements to Borrow, in order to double the resources currently available under those Arrangements. However, the new facility must be considered solely a safety net for exceptional circumstances and is not tantamount to a new increase in the normal resources of the Fund. The discussions on the increase of quotas must therefore be accorded priority. As the liquidity position of the IMF is likely to deteriorate markedly in the years ahead, it appears critical to me that, if the Fund's activities are to continue normally beyond 1998, an agreement must be reached on a substantial increase in quotas by the end of next year at the latest, given the necessary timeframe for approval by our national legislatures.

Canada (Governor Peters)

[We support] doubling the resources currently available under the IMF's General Arrangements to Borrow to ensure that the Fund has adequate liquidity to meet these crises.

China (Governor Zhongli)

We have consistently held that the IMF should obtain its financial resources mainly through quota contributions from its member countries. With this prerequisite in mind, we support the recommendation to increase the total GAB commitment and expand its scope. I wish to stress here that, given the cooperative nature of the IMF as an inter-governmental organization, decisions on GAB-related issues should be made within the framework of the IMF. By the same token, new members of the GAB must be on equal footing with old members; and participants and non-participants alike must be treated equally for the use of GAB resources. We would also like to reiterate our position that the Fund should refrain from financing through channels other than official sources of members.

Republic of Croatia (Governor Prka)

[The Fund needs] to strengthen its surveillance so as to prevent future crises and, if they occur, be strengthened financially to intervene in a more efficient way. This basically means increasing its resources through the possible Eleventh General Review of Quotas and proposals for doubling the General Arrangements to Borrow.

Denmark (Governor Jelved) 1/

An increase in the Fund's borrowed resources is also under consideration, in particular the General Arrangements to Borrow. The G-7 countries at the Halifax Summit suggested that the G-10, and other countries with the capacity to support the system, should increase the resources currently available under GAB. We find that GAB can be a useful instrument in

situations in which the Fund's ordinary financial resources are insufficient to deal with systemic crises. The Nordic and Baltic countries believe that it should play a supplemental financing role for the Fund, but negotiations on this issue should not delay the Eleventh Review of Quotas.

Fiji (Governor Vunibobo)

...the recent Mexican crisis has taught us many lessons. In particular, the crisis severely tested the resource availability and mobilisation capability of the Bretton Woods structure. Is the current liquidity sufficient in the event of another major crisis? We must urgently buttress the liquidity of the Fund and the Bank. Although, I join the call for a speedy negotiation of the Tenth Review of Quotas, I fully realise that this will take time. The strengthening of the GAB can offer an immediate fall-back solution.

France (Governor Arthuis)

In accordance with the conclusions of the Halifax Summit, the resources available under the General Arrangements to Borrow are to be doubled very soon with the involvement, I hope, of new contributors to the structure to be set up. These, however, are additional resources which can in no way be a substitute for an increase in quotas.

India (Governor Singh)

While there is agreement to expand available resources through the General Arrangements to Borrow, we have yet to see specific commitments of finance for this purpose.

Ireland (Governor Quinn)

An increase in resources under the General Arrangements to Borrow...should increase the flexibility of the Fund's response to crises.

Japan (Alternate Governor Matsushita)

To allow us to remain fully prepared for possible future crises, we should establish the Emergency Financing Mechanism (EFM)...and develop new financing arrangements in a flexible manner with the aim of doubling the resources currently available under the GAB, taking into account the intentions of potential participants.

Lebanon (Governor Siniora) 5/

In addition to securing an adequate availability of the Fund's own resources, we believe ...that it would be important to strengthen the GAB as a supplement to these resources. Therefore, we welcome the efforts underway to double the financial resources available under the GAB, and hope that these efforts will succeed in the near future. But strengthening the role of the GAB in support of the Fund's own resources would require, in addition

to increasing the funds available thereunder, a streamlining of the procedures governing the use of these funds so as to make them more readily usable at times of financial crises.

Malaysia (Governor Anwar bin Ibrahim)

We note that there has been a rise in the demand for Fund resource, given the growth of the world economy, the needs of the formerly centrally planned economies as well as the response to new situations. In addressing this issue, we are aware that the Fund is currently considering a number of measures to augment its resources. Although we are supportive of the enlargement of the General Arrangements to Borrow, we are of the view that an increase in quotas under the Eleventh General Review of Quotas should also be accorded utmost priority. Given that growth in the world economy has far outpaced growth in the size of the Fund, an increase in quotas is imperative, not only to enable the Fund to meet adequately the financing needs of the membership, particularly the low-income developing countries, but also to enhance its capacity to deal effectively with systemic financial crises.

Malta (Governor Dalli)

...the IMF's resources have been subjected to exceptionally heavy demands during the past year as the Fund acted swiftly to provide assistance to a number of developing countries, most notably Mexico, Algeria and Argentina, as well as Russia, Ukraine and other economies in transition. This strain on resources highlights the importance of monitoring the IMF's liquidity position. We therefore welcome the support extended by the Group of Seven nations in their Halifax Summit communiqué for the provision of sufficient resources to allow the Fund to meet its responsibilities. In particular we note the request made to the Group of Ten and other countries to develop financing arrangements with the objective of doubling the amount currently available under the General Arrangements to Borrow in response to financial emergencies.

Marshall Islands (Governor Zackhras) 8/

While the quota increase should be the main source of the Fund's resources, we encourage the mobilization of supplementary resources through expanded borrowing arrangements.

The Netherlands (Governor Zalm)

A doubling of the General Arrangements to Borrow will further enhance the Fund's flexibility when faced with sudden and exceptional balance of payments crises. I would welcome an agreement between Fund, present GAB participants and prospective contributors on the modalities of a new parallel borrowing arrangement. However, a doubling of loanable funds is no substitute for a quota increase.

Spain (Governor Solbes) 2/

In parallel with the Eleventh Quota Review, an increase of the Fund's borrowed resources is also under consideration in order to ensure the financial capacity of the Fund when large and exceptional assistance is needed. Following the Interim Committee's request of this spring, the IMF Board of Directors had a first discussion on the role of borrowing and, in particular, the role of the GAB. The G7 has asked the G10 and other countries with the capacity to support the system to develop financing arrangements with the objective of doubling as soon as possible the amount currently available under the GAB to respond to financial emergencies.

Switzerland (Governor Stich)

We are...convinced that in exceptional cases involving systemic risk, the Fund needs additional resources which can be made readily available. We therefore support increasing the resources available under the General Agreements to Borrow through a supplementary, parallel agreement with a larger group of creditors.

Thailand (Governor Sathirathai)

As for expansion of the General Agreement to Borrow (GAB), the G-7 Halifax Summit Communiqué, which endorsed the idea to double the amount currently available under the GAB, is timely, but it should not be a substitute for a quota increase. A revision of the current GAB Agreement should be explored in order to attract greater participation in the new arrangement.

Turkey (Governor Yilmaz)

While we strongly believe the Fund must remain a quota-based institution, we also support exploring the possibility of expanding the General Arrangements to Borrow (GAB), but insist that any enlargement of the GAB should not be regarded as a substitute for an increase under the Eleventh Quota Review.

United Kingdom (Alternate Governor George)

... in line with the request from the Halifax Summit, we are looking at ways of expanding the General Arrangements to Borrow.

United States (Governor Rubin)

...a host of countries can now afford to share responsibility for the health of the international economic and financial system, and therefore should play a greater role. That is why the G-7 and G-10 have agreed to seek the establishment of new arrangements to lend to the IMF in the event of an unusual and large call for funds for conditional lending, and to seek other donors to this facility.

8. Emergency Financing Mechanism

Belgium (Governor Maystadt)

...though priority should indeed be given to crisis prevention-- primarily through stricter discipline in member countries and closer surveillance by the IMF--we know that this will not always suffice. A pre-emergency regime is therefore envisaged to enable action to be taken promptly in the event of serious financial crises.

India (Governor Singh)

...we support the proposal for instituting an emergency financing mechanism.

Ireland (Governor Quinn)

...the development of an Emergency Financing Mechanism should increase the flexibility of the Fund's response to crises.

Islamic Republic of Iran (Governor Mohammad-Khan)

We also support the Fund emergency mechanism designed to assist those member countries facing transitory adverse developments, as well as the foreign exchange stabilization fund intended to compensate for unanticipated fluctuations in exchange rates.

Japan (Alternate Governor Matsushita)

To allow us to remain fully prepared for possible future crises, we should establish the Emergency Financing Mechanism (EFM)...

Lebanon (Governor Siniora) 5/

As for strengthening the Fund's ability to respond in a timely fashion to the financing needs, I would like to commend the recent move to introduce an emergency financing mechanism. We should remember, however, that such a mechanism, in its present form, is but a set of principles and procedures which, though of great significance, cannot be implemented in an effective manner in the absence of adequate financial resources.

Malaysia (Governor Anwar bin Ibrahim)

History has shown that no matter how cautious we are, crisis can still occur. To deal with such an eventuality, we support the Fund's proposal to establish the Emergency Financing Mechanism. In this regard, a clear guideline of what constitutes an exceptional case should be drawn up to ensure uniform and fair treatment of members facing similar circumstances.

Malta (Governor Dalli)

We also support the call made by the G-7 for an Emergency Financing Mechanism that would provide faster access to IMF arrangements with strong conditionality and larger up-front disbursements in crisis situations involving such outflows of capital.

The Netherlands (Governor Zalm)

It would be an illusion to expect that strengthened surveillance can guarantee that new crisis situations will not occur in the future. In such cases the Fund should be enabled to respond quickly and in an orderly manner. The procedure set out in the Emergency Financing Mechanism is therefore welcome. Its success will depend very much on the timely and continuous involvement of the Executive Board.

Pakistan (Governor Jafarey)

We note the Interim Committee's endorsement of the Executive Board's decisions on the emergency financing facility and currency stabilization funds.

The Philippines (Governor De Ocampo)

We likewise endorse the initiative to establish an emergency funding mechanism as a means to reinforce global financial stability and reduce the threat of external shocks on the emerging markets in particular. We expect, however, that the availability of an emergency funding mechanism will not diminish the prudence of economic managers.

Russian Federation (Governor Chubais)

Strengthening the Fund's surveillance should help prevent new financial crises. Nonetheless, in the event that such crises do develop, the possibility of the Fund's participating financially in surmounting them cannot be ruled out. This is why we support the development of an emergency financing mechanism for the Fund, toward which, to my knowledge, substantial progress has already been made. Of course, such financing should be provided only if strict financial policy conditions are met in the countries concerned.

Spain (Governor Solbes) 2/

...the Member States [of the EU] support the work on the establishment of an "Emergency Financing Mechanism" in order to strengthen the IMF's ability to respond quickly with strong adjustment programs to exceptional balance of payments crises.

Turkey (Governor Yilmaz)

Strengthened surveillance will help avoid emergencies [such as the Mexican crisis] but should be accompanied by a mechanism for rapid and temporary balance of payments support, with appropriate conditionality, in case they occur.

New initiatives such as the "Emergency Financing Mechanism" giving faster access to Funds resources with strong conditionality and front-loaded disbursements in crisis situations, and the Currency Stabilization Fund approach to exchange rate problems, will require us to look at the whole range of available financing options, including an increase of quotas.

Ukraine (Governor Mitiukov)

While the Currency Stabilization Fund, and other newly instituted mechanisms such as Post-Conflict financing, emergency-financing, improve the utilization of existing Fund resources, it will also be necessary to move forward with expansion of resources.

United Kingdom (Alternate Governor George)

...try as we might we are unlikely to succeed in preventing every crisis. We must then decide whether official international support is appropriate, and if it is, have the capacity to act quickly.

As a step toward that objective, we are establishing an Emergency Financing Mechanism, clarifying the procedures to be followed when the Fund is to lend rapidly, especially in large amounts, in exceptional circumstances.

9. ESAF and Fund GoldBarbados (Governor Arthur) 7/

We support the proposals to make ESAF self-sustaining by using the income from the sale of some of the Fund's gold, as proposed by the UK authorities, to help finance the subsidy element. This facility should continue to be the centerpiece of the Fund's strategy to help lower income countries, including those that are heavily indebted.

Belgium (Governor Maystadt)

I am concerned that, first of all, official development assistance from OECD donors now accounts for less than 0.3 percent of their GDP, second, that IDA-10 may be radically truncated and, third, that the prospects for mobilizing the funds needed for the Enhanced Structural Adjustment Facility (ESAF) appear dim. Unless this trend is reversed, the investment rate in the poorest countries will no longer sustain their long-term growth, and the Bretton Woods institutions will no longer be able to play their proper role in development. Let us not forget that neither the

poorest countries nor the Bretton Woods institutions can allow themselves to become the victims of the unwillingness or blindness of the wealthy nations, and especially the wealthiest among them.

Brazil (Governor Malan) 3/

...we view with sympathy the transformation of the ESAF into a permanent financing facility of the poorest countries.

Brunei Darussalam (Governor Skinner)

The enhanced structural adjustment facility (ESAF) has proved useful, to assist poorer countries. Its continuation must be ensured and improvement to it is essential in order that the ESAF will effectively address the financial problems confronting poorer countries. However the ESAF should not be seen as the solution of the last resort. Problem countries must first undertake to resolve their problems by themselves.

Canada (Governor Peters)

[We support] ensuring that the Fund has sufficient resources to continue to finance the Enhanced Structural Adjustment Facility for the benefit of the IMF's poorest countries.

China (Governor Zhongli)

We support the provision by IMF of concessional financial assistance to low-income developing countries through ESAF. Developed countries should fulfill its financial obligations towards the "Interim ESAF" so that the self-sustainable ESAF would start on time.

Denmark (Governor Jelved) 1/

The Fund's role regarding the heavily indebted poor countries is to encourage and support the pursuit of strong economic programs for these member countries through policy, technical advice and financial support under a continuation of the Enhanced Structural Adjustment Facility. ESAF is a convenient and useful instrument for the IMF to alleviate and smooth the necessary adjustments that have to be taken in poor countries which was also endorsed by the Interim Committee.

France (Governor Arthuis)

My country warmly welcomes the agreement which has been reached to make the [Enhanced] Structural Adjustment Facility permanent.

Gabon (Governor Doupamby Matoka) 4/

While we are resolved to continue our macroeconomic and structural adjustment efforts, we also believe that these efforts must be supplemented by a sufficient volume of concessional resources. We appeal to the

international community for this assistance, and specifically call on the Fund membership to firmly support a permanent ESAF, for the effectiveness and indispensability of the ESAF in our countries is a matter of record.

India (Governor Singh)

We...welcome the decision to make the Enhanced Structural Adjustment Facility permanent.

Ireland (Governor Quinn)

I welcome the current discussion on the continuation of the ESAF in the context of assisting the poorer countries.

Lebanon (Governor Siniora) 5/

We do support the endeavors toward the extension of ESAF in a manner that makes it a permanent facility with adequate resources. As we are concerned about the reluctance of some industrial countries to provide adequate financial assistance for the success of this endeavor, we would like to underline the need to raise international cooperation in this important area to the level dictated by the compelling need to make maximum effort to narrow the gap between the North and the South.

Marshall Islands (Governor Zackhras) 8/

We welcome the emerging consensus to convert the enhanced structural adjustment facility (ESAF) into a permanent arrangement and support the option of selling part of the Fund's gold holdings to finance the subsidies for ESAF lending in view of the decline in the real level of aid.

Nepal (Governor Mahat)

Nepal has been utilizing various concessional facilities provided by the Fund. The Fund's Enhanced Structural Adjustment Facility (ESAF) played a crucial role to the adjustment process in Nepal. We would, therefore, like to continue with the ESAF arrangement.

Pakistan (Governor Jafarey)

Without a sizable replenishment of IDA resources, a critical component of the development strategy would be lacking and the IMF's efforts to put in place the macroeconomic conditions for growth, through its ESAF, would be in vain....

On ESAF, we are pleased to note the consensus that exists on the continuation of ESAF including the establishment of a self-sustaining facility in view of the vital role that this facility has played in assisting the developing countries implement adjustment policies. The ESAF must remain at the heart of any Fund strategy when dealing with the

financing needs of the poor countries. We support the sale of a modest amount of the Fund's gold to permit a continuation of ESAF-type operations.

Spain (Governor Solbes) 2/

Regarding the extension of the ESAF, the Member States note the work done by Executive Directors and requests them to proceed with their examination of the options for continued financing and adaptation of the ESAF.

On multilateral debt issues, the Member States welcome the efforts undertaken to review the adequacy of existing tools to help those poorest countries with substantial multilateral debt problems. In this context a continuation of the ESAF would provide greater certainty of appropriate financing.

Switzerland (Governor Stich)

We are also convinced that, after having fully utilized the resources available under the Extended Structural Adjustment Facility in 1998, the Fund will need another option which will allow it to provide support to its poorer members in their reform efforts. In our view, it will be necessary to further supplement these resources, making use of the financing scheme of the existing facility which has been shown to be a valid one. Simultaneously, however, the group of those benefiting from the facility should be carefully examined.

Thailand (Governor Sathirathai)

For the least developed countries, where structural adjustments may be too difficult without special support from the Fund, we believe that the continuation of the Enhanced Structural Adjustment Facility (ESAF) would help soften the pressure. We thus hope that the framework for financing the ESAF can be speedily finalized to the benefits of low income countries.

Tonga (Governor Fakafanua)

I welcome the initiative by the Fund to formally establish the [Enhanced] Structural Adjustment Facility (ESAF). This facility has supported many structural adjustment programmes in developing countries during its pilot phase.

Turkey (Governor Yilmaz)

...the poorest countries continue to need financial support on concessional terms to avoid debt servicing problems. The ESAF facility provides an appropriate blend of structural conditionality and concessionality. I therefore agree that we should explore ways of continuing this support after the resources under the current ESAF extension have been fully committed.

Ukraine (Governor Mitiukov)

...[we] hope for an early resolution of the remaining questions concerning an extended and self-sustained ESAF.

10. SDR Issues

Barbados (Governor Arthur) 7/

We support an immediate allocation of SDRs which is fully justified by the global need for reserve supplementation.

Brazil (Governor Malan) 3/

We also support a new and very substantial allocation of SDRs on the basis of the system enshrined in the present Articles.

China (Governor Zhongli)

We continue to lend our support to the proposal of a general allocation of SDR proposed by the Managing Director of IMF. It is our hope that major industrial countries will reconsider their positions in the spirit of cooperation with a view to completing the SDR allocation at an early date.

France (Governor Arthuis)

It is also necessary to explore solutions for an equitable distribution of SDRs between all IMF members. I very much hope that, if all involved are willing, we shall find a solution next year.

Islamic Republic of Iran (Governor Mohammad-Khan)

Global economic developments in recent years necessitate an increase in international liquidity and the resources of the Fund. In this connection, the general allocation of the Special Drawing Rights enjoy our full support.

Lebanon (Governor Siniora) 5/

The failure to reach agreement on a new SDR allocation during the last 15 years is but an indication of weakness in the present framework of international economic cooperation. Notwithstanding the support of the great majority of members for a new allocation, such an allocation did not materialize due to the objection of a limited number of industrial countries. It is indeed regrettable that failure to reach agreement on an SDR allocation means depriving more than 20 percent of membership the opportunity to join the SDR system. On behalf of the Arab Governors, I call for putting an end to this unnatural situation. In view of our conviction that there is a global need to supplement reserves, we believe that a

general allocation is the best means, conceptually and practically, for including all new members in the SDR system.

Malaysia (Governor Anwar bin Ibrahim)

Furthermore, the Fund has yet to make progress on the issue of an SDR allocation, particularly in dealing with the issue of equity and distribution. Our view remains that a general allocation of SDR should be part of any agreement on the matter. In addition to the general allocation, a post allocation redistribution scheme could be adopted to address the special liquidity problems of some of the member countries.

Malta (Governor Dalli)

On the subject of SDRs, we note that the debate on whether a new allocation should be selective or generalised has not yet been resolved. We would like to re-affirm our view that, ideally, a consensus be reached so that a generalised increase be allocated in addition to special allocations to those countries which have not benefitted from previous issues of SDRs.

Pakistan (Governor Jafarey)

...it is a matter of great regret that a consensus on the SDR issue remains as elusive and controversial as before. We fervently hope that a solution can be found at an early date and look forward to the results of the wide-ranging review of the role and function of the SDR. The suggestion by the Managing Director of the IMF--of utilizing SDRs as a last-resort financial safety net, by issuing them on a temporary basis or lending them to countries in support of strong policy programs in the context of liquidity crisis, is one that we find worth careful consideration.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

...we repeat our call--and that of the developing countries--for a new allocation of special drawing rights to strengthen international reserves and meet the financing needs of developing countries.

Certain industrial countries which opposed such a new allocation over the past years should recognize and appreciate the need of developing countries for such reserves and, accordingly, cease opposing the wishes of the majority of IMF member countries in this regard.

Spain (Governor Solbes) 2/

We hope the seminar announced for March 1996 on the future of the SDR will make an important contribution to the broad review by the Fund of the role of the SDR in the international monetary system.

Thailand (Governor Sathirathai)

I also would like to call on all members to work cooperatively on the prolonged issue of SDR allocation. An early conclusion would help meet reserve needs of developing countries.

Ukraine (Governor Mitiukov)

As others, we look forward to the March 1996 seminar of the SDR...

11. Trade

Bangladesh (Governor Rahman)

The threat of new trade barriers in the name of environmental, social, and employment considerations is a matter of concern to us.

Brazil (Governor Malan) 3/

The establishment of the World Trade Organization and the successful outcome of the Uruguay Round clearly reflect the existence of an international cooperative framework which must continue to be further promoted so as to enable us to make significant progress in facing the challenges that lie ahead and in achieving the policy aims set out in the Madrid Declaration.

Denmark (Governor Jelved) 1/

As a result of the recovery during 1994, world trade expanded strongly, recording the largest yearly gain since 1976. The Uruguay Round trade agreement which took effect from January will give further impetus to global trade and economic growth in the years to come.

Fiji (Governor Vunibobo)

I am pleased that the [Uruguay] Round appears to have achieved new transparency through tariffication. However, we should not quickly ignore the honourable objectives of the agricultural negotiations under the Uruguay Round which were "to establish a fair and market-oriented agricultural trading system, reverse protectionism and remove trade distortions in agricultural trade." Regrettably, I am disappointed that the Round has brought about substantially less liberalization than had been expected. Instead, most developed countries have established new base tariffs that reflect even higher protection than had been provided by the non-tariff barriers that they replaced. As a consequence, it is highly likely that tariff rates in the year 2000 and beyond will remain very high on many agricultural products and in many cases as high as, or even higher than, effective rates prior to the agreement.

The implications of such development on predominantly agro-based economies like Fiji can be devastating. As net food importers, Fiji will be

confronted with higher world prices. At the same time, the loss in preferential treatment for its exports may not be fully offset by new access to the markets of industrial countries.

Gabon (Governor Doupamby Matoka) 4/

With respect to international trade, studies conducted by the Bretton Woods institutions appear to indicate that ratification of the Uruguay Round Treaty will have little impact in Africa. Other studies, however, particularly those carried out by institutions in Africa, suggest that the impact will be very negative in the short or medium term. In any case, it has been amply demonstrated that the economic structures of the African countries are such that they would be unable to benefit in the short term from the free-market trade provisions advocated by the Uruguay Round Treaty. Thus, pending the diversification of their economies, African countries *which are net importers of food products will see a substantial rise in the cost of their imports resulting from the reduction of agricultural subsidies.* Furthermore, despite a brief improvement in export prices of certain primary products, the general outlook for the prices of commodities exported by most of our countries remains an uncertain one, and unfavorable movements in commodity prices cannot be ruled out. This in itself is clear evidence of imbalances in the prevailing international trading system that require addressing. We hope that the World Trade Organization (WTO) will play a leading role in promoting a more fair, balanced, and equitable world trading system. Moreover, the privileges that the African countries enjoyed under the Lomé Convention will also be curtailed. In these circumstances, we expect that the international community would ensure the orderly transition of our economies. We particularly appeal to the developed countries not to erect protectionist barriers that would adversely affect the African countries that have begun to diversify the structure of their exports. On the contrary, we hope that the developed countries will take steps to facilitate the access of African products to their markets. This is a necessary adjunct to the international assistance they can contribute toward the sustained development of our countries. Furthermore, the resulting additional costs to African net food importers and those countries who will lose preferential access to industrial countries' markets, should be compensated for during the transition period.

Germany (Governor Waigel)

The IMF, World Bank and WTO have to cooperate closely in a spirit of trust on the basis of their respective mandates. This is not only the responsibility of the management of each institution: member governments must also ensure a coordinated division of labour between the institutions and avoid duplication of tasks.

India (Governor Singh)

Growth prospects for industrial countries for both 1995 and 1996 have been scaled down. Unemployment levels in industrial countries remain high and could spur protectionist sentiment and action.

Italy (Governor Dini)

World trade is growing at a pace rarely seen in the recent past and the outlook remains good. The rapid ratification of the Uruguay Round and the launching of the World Trade Organization should help prevent the emergence of new protectionist pressures, thereby fostering the further development of trade and competition worldwide.

Korea (Governor Hong)

We are all facing an increasingly integrated world economy. Therefore, multilateral cooperation through the Bretton Woods Institutions, as well as through the newly born WTO, has become essential for sustained and stable economic prosperity for all member countries.

Lao People's Democratic Republic (Governor Phomvihane)

Macroeconomic stability depends not only on economic reform, but also on the external environment, such as a favorable worldwide economic climate, external financial support and the expansion of external trade. We, therefore, call on industrial countries to provide for flexible trade policy towards developing countries...

Lebanon (Governor Siniora) 5/

In addition to the availability of adequate financing on appropriate terms, the success of the adjustment efforts of the developing countries requires improving of these countries' access to the markets of industrialized countries. Therefore, we hope that the effective implementation of the Uruguay Round agreements will be followed by emphasis on the elimination of non-tariff trade barriers in industrial countries, as these discourage developing countries' efforts to increase and diversify their exports, on the basis of the comparative advantage principle. In this context, I must reiterate our deep concern about the continued adoption by industrial countries of tax policies which discriminate against oil and our oil-product exports; such practices stand in contradiction with the need for close cooperation between oil producers and consumers, with a view to ensuring the stability of oil prices and the availability of adequate oil supply to meet the increasing demand for this vital commodity. I also have to reiterate our concern, and that of other developing countries, for the protective policies and measures adopted by industrial countries under the guise of non-trade objectives. While on international trade, I would like also to draw attention to the particular importance we attach to the necessity of taking effective measures to neutralize the additional high costs expected to be born by net food importers among developing countries due to the rise in food prices after the Uruguay Round.

I would like to seize this opportunity to welcome, on behalf of the Arab Governors, the establishment of the WTO and the participation of its Director General in these Annual Meetings, and to wish this institution every success in subjecting international trade practices to a code of

conduct that is consistent with the need to reinforce international cooperation in the international trade arena.

Malaysia (Governor Anwar bin Ibrahim)

The growth in trade is now significantly faster than output in almost all regions of the world, bringing about substantial and widespread benefits in terms of increased opportunities for specialization, greater incentives to invest and more rapid technological transfer.

In the past few years, there has been a trend towards greater liberalization of markets by some developing countries in order to enhance efficiency and competitiveness. This trend is expected to strengthen efforts of these economies to integrate into the world's financial, trading and capital markets. However, these efforts are sometimes impeded by protectionist and unfair measures by developed countries. We believe that a stronger commitment to an open multilateral rules-based trading system would prevent a slippage into inward-looking policies, especially in those economies whose liberalization efforts are still at a fragile stage. Multilateralism and open regionalism should be pursued to capitalize on the achievements of the Uruguay Round. However, we must always be prepared that serious situations like the Mexican crisis can occur at any time.

Pakistan (Governor Jafarey)

On the trade front, even with the new multilateral agreements in place, there is little room for complacency on trade relations. Protectionism, unilateralism and the excessive use of antidumping actions are still with us and will require strong political will to ensure that trade frictions are resolved within the framework of trade rules overseen by the WTO.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

...the conclusion of the Uruguay Round of trade negotiations and the establishment of the World Trade Organization (WTO) were significant achievements early this year. More significant, however, is the ability of the WTO to establish the mechanisms necessary to enable it to play an important role in emphasizing respect for the principles of international trade and increased trade coupled with increased equitable market access opportunities. This will contribute to strengthened growth opportunities for all member countries.

In this respect, we once again call on all industrial countries to eliminate--in compliance with the principles enshrined in the Uruguay Round and WTO agreements--all forms of barriers imposed on the exports of developing countries, be they tariff or nontariff barriers or discriminatory treatment against certain countries. Moreover, we call upon the international community to establish a mechanism for extending the requisite funding to food-importing developing countries which will be adversely

affected by the expected rise in the prices of agricultural goods due to the implementation of the Uruguay agreements, during the transition period.

Sri Lanka (Governor Peiris)

We must continue to work for a more open trading environment in which the developing countries have ready access to the markets of the developed countries. In this connection, it is heartening to note that by end-July 1995 as many as 105 countries have ratified the Uruguay Round and become members of the World Trade Organization (WTO). However, the prospects for international food prices are worrying. With the phasing out of national subsidies to agriculture, prices are expected to rise; imposing severe pressures on net food importing countries. Some understandings to tide over the problems have to be reached.

Sweden (Governor Persson) 6/

...supportive measures should above all include improved access to industrial countries' markets. In that regard a multilateral and rule-based trade regime is important for both developing countries and countries in transition.

Tonga (Governor Fakafanua)

I welcome the formal relationship to be established between the BWIs and the World Trade Organization (WTO). This relationship could help in clarifying the impacts of WTO initiatives on developing countries.

Vietnam (Governor Cao Sy Kiem)

Robust growth in industrial and developing countries and higher import demand in countries in transition has led to a strong expansion in the volume of world trade well above the average growth rate of the past two decades. Trade among developing countries has risen markedly, supported by trade liberalization and increased intraregional economic and financial ties.

12. International Debt Adjustment

Australia (Governor Willis)

Australia is a strong supporter of the application of Naples Terms in the Paris Club. For most of the heavily indebted poor countries, application of these terms will help reduce debt-servicing burdens to manageable levels.

However, for a small group of countries with very high levels of debts to the international financial institutions, bilateral debt relief may not be sufficient. Australia recognises that, for these countries, the burden of servicing multilateral debt is an impediment to meeting development objectives. We support further work being undertaken by the Bank, Fund and

other multilateral development banks to develop a coordinated framework to assist these countries.

Austria (Governor Staribacher)

The timely servicing of debts, especially those to International Financial Institutions, is, in my view, the best possible strategy for a stable integration into the world economy, even if this may imply sustained adjustment efforts over many years. Before making judgements on the merits or entering into negotiations of innovative approaches, there are a number of issues to be resolved and clarified. First and foremost, we will need further clarification on the funding of new schemes, on their implications for other flows of resources to the low-income countries, and on the prospects for achieving sustained development in the countries which would benefit from the scheme....

This is particularly important against the background of budgetary constraints in many countries which should not lead to a weakening of the commitment to and financial support for multilateral institutions, in particular the Bretton Woods organizations.

Barbados (Governor Arthur) 7/

We also support the ongoing work to find ways and means of easing the burden of multilateral debt on heavily indebted low income countries. We recognise the complexity of the issues involved, and hope that acceptable solutions, which do not carry adverse implications for countries that have continued to service their debt, will be brought forward for adoption by the time of the Spring Meetings of the Development and the Interim Committees.

Brazil (Governor Malan) 3/

...we consider that the growing debt faced by many developing countries should be addressed in an effective manner. In this context, we welcome the steps taken by the IMF and the World Bank to study mechanisms to alleviate the burden of debt and to provide additional concessional resources to debtor countries.

Denmark (Governor Jelved) 1/

In many African countries, unfavorable external conditions and high indebtedness, as well as domestic political difficulties, have made it more difficult to attain macroeconomic stability. The high debt burdens of many low income countries emphasize the continued need for technical assistance and financing also from the Fund, but it is critical to focus this assistance on the areas most in need and on countries that are ready to address the underlying problems.

In this connection, the Nordic and Baltic countries welcome the work underway in the Bretton Woods institutions regarding debt reduction for the poorest countries. The Nordic and Baltic countries consider the question of

multilateral debt in heavily indebted poor countries very important and central in the discussion on the possibilities to alleviate poverty in the poorest countries. Resolving the debt problem for this limited group of countries calls for a concerted and comprehensive approach. All measures to assist the problem countries should be taken on a case-by-case basis, and performance on sound economic policies must be witnessed before debt relief can be granted.

...The high debt burdens of many low income countries emphasize the continued need for technical assistance and financing also from the Fund, but it is critical to focus this assistance on the areas most in need and on countries that are ready to address the underlying problems.

Gabon (Governor Doupamby Matoka) 4/

It is extremely disturbing to note that despite debt rescheduling and forgiveness, our countries are still confronted with an increasing heavy debt burden. In 1994, for example, the debt/GDP ratio of the sub-Saharan African countries was 98 percent, while the ratio of debt to exports for these same countries amounted to about 400 percent. Although application of the Naples terms represents an encouraging step towards a solution to the problem of bilateral debt within the Paris Club, the debt of low-income African countries still remains a serious impediment to their development prospects. The situation is further exacerbated by the steady increase in the share of multilateral debt in the total debt stock. That is why we welcome the sensitivity to this problem shown by the World Bank and the Fund, and the importance attached to identifying innovative solutions. We therefore urge the World Bank and the Fund to establish a mechanism intended to provide a lasting and effective solution to the problem of multilateral debt, and also to provide additional concessional resources to the countries concerned. Indeed, while reaffirming our determination to continue the adjustment efforts that our economies require, we appeal to the international community to identify innovative solutions aimed at reducing the stock of debt. These new formulas should be accompanied by new infusions of concessional resources to supplement domestic savings so as to promote the resumption of sustained growth.

Indonesia (Governor Muhammad)

As chairman of the Non-Aligned Movement, Indonesia wish to draw the attention of this distinguished gathering to the fact that the debt burden and debt overhang of many developing countries, in particular the poorest countries, are far from being resolved. It is our belief that for the poorest developing countries repetitive rescheduling of debt diverts scarce administrative resources from attending problems of economic development and poverty alleviation. What is required is not further debt rescheduling but a once-and-for-all debt settlement, through meaningful reduction of all categories of debt. No major group of creditors should be excluded, meaning that it is illogical and ultimately counterproductive to exclude multilateral creditors.

For many poor countries the servicing of multilateral debt has become the bulk of debt service payments. At present there is no possibility for debtor countries to have rescheduling, let alone reduction of their multilateral debt. As a matter of fact, many poor debt-distressed countries are able to service their multilateral debt because they do not service their bilateral debt fully. As a consequence, while they service their multilateral debt, at the same time they are forced to accumulate large and growing arrears on their bilateral debt. It also means that whatever bilateral assistance these countries receive, it is channeled to service their multilateral debt.

It has also been asserted that there is no way for the multilateral financial institutions to consider multilateral debt reduction since it will jeopardize their credit rating. This argument against multilateral debt reduction does not hold water. The multilateral financial institutions are not only financially strong, but their reputation in international markets depends on capital guarantees from their members, in particular the major industrialized countries.

The major industrialized countries have recognized the existence of a substantial multilateral debt problem and have asked the Bretton Woods Institutions to find a solution to this problem....

Thus, the G-7, the Non-Aligned Movement, other members of the World Bank and the Fund, the NGOs, and the rest of the international community are emphasizing the urgency to arrive at effective solutions to the debt problems of the poorest countries, in particular their debt to multilateral institutions. We therefore applaud the initiative of Mr. Wolfensohn and urge on all other institutions and member governments to give their full support to this endeavor.

Ireland (Governor Quinn)

I am pleased to see that, in the course of the past year, there has been a growing acceptance that the burden of debt, including multilateral debt, may be a crippling constraint on the economic and social development of a number of very poor countries. I welcome the joint statement of the President of the World Bank and the Managing Director of the IMF to the Development Committee, and in particular their reference to work in hands which is looking to ways to help pay part of the obligations owed to multilateral creditors for those countries where action by commercial and bilateral creditors is not sufficient to restore debt sustainability. An approach which focusses on country-specific analysis will help make the best use of such resources as are available for this purpose. I would urge the institutions to press ahead as quickly as feasible with this work with a view to advancing the matter at the latest by the next meeting of the Development Committee in April, 1996.

While I regret the premature publication of the contents of a draft paper prepared by Bank staff on the issue of multilateral debt, I am very sympathetic to the option discussed in that paper.

Islamic Republic of Iran (Governor Mohammad-Khan)

With regard to assistance to poorer developing countries, I would like to express my appreciation for the World Bank and the IMF efforts in alleviating the debt problems faced by these countries.

Japan (Alternate Governor Matsushita)

With regard to the issue of the poorest countries facing a heavy debt-service burden, I believe the basic approach should be to study the specific conditions of each country and then to address the issues on a case-by-case basis while making the best use of existing frameworks, respecting the confidence and financial integrity which the international financial institutions have won in the past.

Lebanon (Governor Siniora) 5/

The external support for the adjustment efforts in highly indebted countries should also include a fundamental treatment of the debt burden. In this context, we welcome the application by the Paris Club creditors of the Naples concessionary terms in an increasing number of low-income developing countries. We also hope that the scope for reduction of official bilateral debt will expand to include other developing countries whose indebtedness hampers their ability to achieve balance of payments viability.

Malaysia (Governor Anwar bin Ibrahim)

...I would like to touch one other issue, that is the funds for multilateral debt reduction. We support these efforts although we understand that there may not be a single all-embracing approach. Nonetheless, one can certainly devise country-specific approaches to ensure debt sustainability. We would welcome proposals on this issue at the earliest possible time.

Malta (Governor Dalli)

A substantial number of less developed countries, especially in sub-Saharan Africa, are still suffering from widespread poverty, unsustainable external debt burdens and subdued levels of economic growth. This calls for urgent action to be taken. It is the responsibility of the international financial community to support structural and institutional reforms in these countries through adequate levels of resource transfers and debt relief even though the latter course of action does not always attract broad support in international fora. This notwithstanding, we welcome the initiatives taken by the Paris Club to ease the debt burden of the poorest countries. We also observe with interest the proposal by the World Bank to create the Multilateral Debt Facility to pay principal and debt service payments on multilateral loans to the least developed economies. It is hoped that an agreement on the setting up of this fund is reached among all parties concerned for its speedy implementation. In this regard, priority in the

allocation of resources should be given to those countries which have demonstrated the ability and commitment to use them effectively.

The Netherlands (Governor Zalm)

Turning to multilateral debt, the role of the international financial institutions in the debt strategy up to now has been to provide new concessional loans in support of development and adjustment programs. This strategy complements the efforts from the Paris Club and bilateral donors and has been essential both from a development and from a debt alleviation perspective.

Nevertheless, I have noted with interest recent thinking on new approaches for a restoration of overall debt sustainability. I encourage the Fund and Bank to work closely together and explore the options to deal with the multilateral debt burden of a number of the poorest countries, including the implications for mobilization of donor resources. This analysis should respect the different character of Fund and Bank, and in particular take account of the monetary character of the Fund.

The Philippines (Governor De Ocampo)

In the interest of broadening the base of global economic growth, the Philippines supports the initiative to relieve the multilateral debt load of heavily indebted poor countries. We encourage these countries to continue adopting strong adjustment and reform policies even as multilateral support is undertaken to relieve their debt burdens. This will assure, as the Philippine case demonstrates, that the debt relief effort will translate into self-sustaining growth.

South Africa (Governor Liebenberg)

Firstly the multilateral debt problem. As we are all aware, this issue has assumed alarming proportions for our continent. No less than 33 of 41 severerely indebted low-income countries are from the African continent and we would like to call upon the Bretton Woods Institutions and the G7 to redouble their efforts to find a solution to this problem in a manner which is equitable, even-handed, and which provides a feasible exit strategy for the most severerely indebted nations. We make this appeal because for the first occasion in many years, there are encouraging political and economic signs that the African Continent is on the upturn and that structural reforms are progressing briskly.

Spain (Governor Solbes) 2/

On multilateral debt issues, the Member States welcome the efforts undertaken to review the adequacy of existing tools to help those poorest countries with substantial multilateral debt problems. In this context a continuation of the ESAF would provide greater certainty of appropriate financing. On bilateral debt, we urge the full and constructive implementation of the Naples terms.

Switzerland (Governor Stich)

Research done by the World Bank and the International Monetary Fund indicate that for the group of poorest countries debt and servicing the debt has taken on unsustainable dimensions or could do so in the future. In some cases, debts toward multilateral institutions play a significant role.

I am glad to hear that the International Monetary Fund and the World Bank have begun to work closely to tackle this problem. We expect the Executive Boards of the Bretton Woods Institutions...to elaborate proposals containing comprehensive and sustainable solutions to the problem.

United Kingdom (Alternate Governor George)

Limitation of moral hazard is also one reason for the work being conducted, under the aegis of both the IMF and the G10, on so-called "orderly workout" procedures. We are exploring whether there is a workable "middle way", between large scale official financing and disorderly default, when a sovereign borrower becomes unable to meet its debt service obligations in full.

In our view, it is important to be open with the markets about this work. If the exercise were to be conducted solely by officials behind closed doors, it could not only give rise to unfounded--but nevertheless destabilising--rumours in the markets, but could also lead to proposals that fail to take account of market expertise.

United States (Governor Rubin)

...the expansion of and changes in the financial markets, while greatly increasing capital for investment, have widened the numbers and types of creditors who hold a creditor interest when crises to arise. We should explore new ways for a country to work its way out of debt that take into account these changes in the private capital markets. This is a difficult problem. Some have expressed concerns over moral hazard, though I think this should be solvable through stringent conditionality, and there are many other complex issues. Nonetheless, I do not think we should accept the assertion that the approaches of the past are the best we can do. I think it is very constructive that the G-10 has set up a group to study the issue.

13. Currency Stabilization Funds

Barbados (Governor Arthur) 7/

We support the agreement on the conditions under which the Fund should support currency stabilization funds, on a short-term basis, in the context of an exchange-rate-based disinflation strategy, and within limits and guidelines of the current access policy.

Fiji (Governor Vunibobo)

...the efforts of developing economies have not been helped by the intense and regular volatility in the global exchange market. The contagion effects of this turbulence is rapidly transmitted to emerging markets, destabilises debt servicing and complicates reform implementation. We therefore welcome the proposed introduction of the currency stabilization facility by the Fund. However, we must realize that the facility on its own does not address the root of the problem. It must be accompanied by proper macroeconomic strategies.

Malta (Governor Dalli)

We...favor the setting up of currency stabilization funds which make resources available to help counter short-term capital movements which may create difficulties when stabilization and reform programmes are being implemented. Such a facility will strengthen the ability of a country to maintain the level of its exchange rate when this comes under pressure as a result of capital account liberalization.

Pakistan (Governor Jafarey)

We note the Interim Committee's endorsement of the Executive Board's decisions on the emergency financing facility and currency stabilization funds.

Turkey (Governor Yilmaz)

New initiatives such as the "Emergency Financing Mechanism" giving faster access to Fund resources with strong conditionality and front-loaded disbursements in crisis situations and the Currency Stabilization Fund approach to exchange rate problems, will require us to look at the whole range of available financing options, including an increase of quotas.

Ukraine (Governor Mitiukov)

We welcome in this connection the idea of establishing for some countries a Currency Stabilization Fund. We feel that Ukraine could benefit greatly, and the reform process in Ukraine would be supported by a currency stabilization fund of \$1.5 billion in the near future. We also emphasize that the pillar of a useful Currency Stabilization Fund remains a solid fiscal and monetary policy....

While the Currency Stabilization Fund, and other newly instituted mechanisms such as Post-Conflict financing, emergency-financing, improve the utilization of existing Fund resources, it will also be necessary to move forward with expansion of resources.

14. Technical Assistance

Armenia (Governor Bagratian)

We have begun to receive substantial financial and technical assistance from the international community to underpin this transformation and have enjoyed a very productive relationship with multilateral and bilateral donors. The advice and funding we receive are playing a very critical role in the recovery and growth of our economy and integration of our society to the world at large.

Brunei Darussalam (Governor Skinner)

Quality, timely and comprehensive data are essential for decision making by both the individual country and the Fund. It is in this area that Brunei Darussalam will be requesting the assistance from the staff of the Fund to develop an effective functioning system of data collection. I am encouraged that this assistance will be readily available.

Republic of Croatia (Governor Prka)

It must be stressed that Croatia has benefited from IMF technical assistance in the past. We have received knowledgeable recommendations from the Fiscal Affairs, Statistics, and Monetary and Exchange Affairs Departments during more than ten missions. Croatia has benefited from educational facilities at the Fund, both in Washington, D.C. at the IMF Institute and in Austria at the Joint Vienna Institute.

Denmark (Governor Jelved) 1/

The high debt burdens of many low income countries emphasize the continued need for technical assistance and financing also from the Fund, but it is critical to focus this assistance on the areas most in need and on countries that are ready to address the underlying problems.

Fiji (Governor Vunibobo)

In Fiji, privatization and the development of the financial sector are some of the specific areas where future assistance of the Bank and the Fund can be focused. However, the bulk of our needs will continue to be in policy advice and technical assistance. We therefore urge the Bretton Woods institutions to avoid any reduction in their technical assistance programs.

The Fund's Technical Assistance Center based in Suva has proved very effective and we are keen to see continued Fund involvement in this area.

Germany (Governor Waigel)

In many instances it was only through the technical assistance and help in mobilizing financial support from abroad, coupled with the deployment of own resources, that reforms were made possible; the reticence

of international investors was overcome; and the process of transformation was established in a consistent and credible framework.

Israel (Governor Shochat)

I...want to take this chance to thank both the World Bank and the IMF for all the help they have given the Palestinians in financial and technical assistance. Their role has been vital, and I hope they will continue to play a key part in the region's development. This does not mean that the region should not establish its own economic organizations; however, any new institutions should not seek to copy the work of the World Bank or the IMF. Instead, they should add to these efforts.

Lebanon (Governor Siniora) 5/

...I have to commend the roles of both the World Bank and the IMF in providing technical assistance in the West Bank and Gaza Strip, the Bank's financial support of development projects there, and the work by the two institutions in coordinating assistance by donor countries and institutions. As we call on the two institutions to provide more support, we urge donor countries and institutions to spare no effort to provide adequate resources and simplify the procedures governing their use, not only in the Arab region, but for developing countries in general.

Malta (Governor Dalli)

We have...taken advantage of the Fund's technical assistance and so I would like to take this opportunity to express my gratitude to the Fund for the expert advice which they have extended to our country time and again.

Marshall Islands (Governor Zackhras) 8/

We support the Fund's proposal to improve its surveillance activities by obtaining reliable and timely data. However, we would like the Fund to take note of the need for technical assistance in the case of many developing countries, especially the small Pacific island countries which do not, at present, have the necessary capabilities to meet these reporting requirements.

Our constituency members have taken note of the Fund and Bank advice on bringing about macroeconomic adjustment. They remain committed to implementing these policies. However, our efforts will require additional technical assistance in view of our limited capabilities to effectively implement reforms.

...I would like to take this opportunity to express the appreciation of our constituency members for the excellent support provided by the Pacific Financial and Technical Assistance Centre based in Fiji. We understand that discussions are under way to provide additional support for the center. We urge the donors to continue to support this important project.

Nepal (Governor Mahat)

...the Bretton Woods Institutions have served us well. We consider that technical and financial cooperation extended by these institutions have been vital to our economic development and believe that they have a parallel role in our future prosperity.

Switzerland (Governor Stich)

I would particularly like to thank the Fund for the technical and financial support which it has provided to the members of our constituency.

Tonga (Governor Fakafanua)

I appreciate the continuing technical assistance of the Fund to the Pacific Islands through the Pacific Financial Technical Assistance Center (PFTAC). The operations of the Center have certainly supplemented the needs of the Pacific Islands Nation in financial management.

15. Other Remarks

Armenia (Governor Bagratian)

We seek to accelerate investment in our economy and achieve higher levels of growth. Meanwhile, we hope the International Financial Organizations would explore new instruments of assistance to the transition economies, which would provide concessionary bridge finance during this period of economic transition.

Australia (Governor Willis)

A critical problem in many of the world's poorest countries is poor economic management. The Fund and Bank have an essential role in assisting member countries to improve their economic management.

Barbados (Governor Arthur) 7/

...an unusual spate of hurricanes have destroyed the entire productive capacity of Antigua and Barbuda, the entire agriculture and significant portions of the infrastructure of Dominica, and has caused considerable damage in St. Kitts-Nevis. We therefore urge the international community in general, and the Bank and the Fund in particular, to put in place the mechanism to respond to natural disasters with the medium- and long-term assistance needed for reconstruction. Such responses to the special needs of small developing countries should fit within the framework that is so clearly articulated in the Programme of Action of the UN Conference on Small Island Developing States held in Barbados in 1994.

Belgium (Governor Maystadt)

Of course, my suggestion that the Interim Committee meet with Mr. Hansenne to explore the means of broader and more continued cooperation between the IMF and the ILO was based on the fact that the statutes of both the IMF and the ILO make the objective of full employment a priority. In particular, the agreement was that this cooperation should be aimed at helping IMF missions in the member countries to better understand their labor markets and social protection problems and also at enabling ILO staff to better factor the IMF's macroeconomic policy expertise into its recommendations. This new partnership, and the fact that the Fund gives greater consideration to the social implications of the economic reforms it prescribes, should better tailor adjustment programs and so make them more acceptable to the populations they affect.

Cambodia (Governor Chhon)

...countries like ours at the lower end of the economic ladder need special nurturing. The international community, including the Bank and the Fund, therefore need to apply special terms to their assistance to us so that we are able to lay firm foundations without unduly overburdening our future generations with debt. I would therefore urge that more funds be made available on grant terms, especially for capacity-building efforts through either trust funds or other mechanisms or through creation of special windows. Last, but by no means least, I would appeal for maximum resources to be allocated under these two windows for prioritized assistance to the neediest countries, such as Cambodia.

Canada (Governor Peters)

In these constrained times, multilateral institutions, like the governments which are their members, must all learn to do more with less.

...resource allocation should be more efficient. Inefficiencies undermine the ability of donors and recipients alike to make progress in poverty reduction. In particular, excessive military expenditures, particularly at the expense of social sector spending, are no longer acceptable. Multilateral institutions must directly tie their lending programs to recipient country commitment to reduce unproductive expenditures.

Fiji (Governor Vunibobo)

We call once again on the two institutions to be innovative in generating flexible solutions to the special situations of small island countries in the South Pacific. At the same time, we reiterate our caution to avoid treating all South Pacific island countries with the same generalities, as there are critical differences in key areas such as industries, institutions, and market sophistication. Economic policy advice and programs, including their implementation and sequencing, must therefore be country specific.

We fully support the efficiency measures being implemented in the Bank and the Fund. We, however, strongly urge the twin institutions not to discard the needs of its smaller membership in its quest to streamline resources.

Greece (Governor Papantoniou)

...raising the efficiency of public administration, tax systems and public corporations remains a goal to be vigorously pursued worldwide.

Indonesia (Governor Muhammad)

The ultimate goal of reform is clear; the organizations must review their significance and their contribution to growth, equity, and stability in a newly globalized world economy. The reformed institutions should not compete with private sector institutions. We do not need multilateral organizations to do what private institutions can do perfectly well.

Ireland (Governor Quinn)

[The Fund and Bank] ...should continually seek to improve their own effectiveness, efficiency, and accountability.

Islamic Republic of Iran (Governor Mohammad-Khan)

Another important, and related issue that causes concerns for the Islamic Republic of Iran, and many other member countries, is the selective and discriminatory treatment in extension of facilities to member countries which is inconsistent with the basic rules governing the operations of the IMF and the World Bank. Such biases aggravate imbalances in economic growth among member countries.

Islamic State of Afghanistan (Governor Qader Fitrat)

The IMF and the World Bank have played a significant role in reconstruction and development around the world ever since they came into existence. We hope that Afghanistan, as a longtime member of the IMF and the World Bank, will enjoy the required aid to reconstruct its economy.

Italy (Governor Dini)

Growth also requires good governance, both in the sense of honest and efficient administration and in that of public participation. There are no shortcuts that really work in the long run. Public confidence is a very hard commodity to obtain and to conserve, but it is essential to stability and to social and economic progress. This applies to all countries, without exception.

Lebanon (Governor Siniora) 5/

we ... wish to emphasize the importance of meaningful consultation with ... [developing] countries in the fora that afford them the opportunity of sharing in the decision making process. This, in our view, requires that the Interim Committee and the Development Committee, in addition to the Executive Boards of both the Bank and the Fund, be given a more effective and more central role in global economic management....

We sincerely hope that cooperation between the WTO and the Bretton Woods institutions will proceed in such a way as to avoid overlapping of responsibilities.

New Zealand (Governor Birch)

Last year I said the Bretton Woods institutions needed to avoid duplication, and I would reiterate that again today. It is important the institutions identify key objectives and focus on their core business.

There is a worldwide trend towards increasing the efficiency and effectiveness of public bodies, and the Bretton Woods institutions should follow this trend.

Where appropriate, authority should be devolved and resultant autonomy should be accompanied by greater accountability for performance. There should be greater flexibility over management of inputs, provided there is credible accountability for outputs, and there should be a more flexible and market-responsive system of labor contracting....

As governments press ahead with these reforms, we must also ensure the Bretton Woods institutions are clearly focused and cost-effective.

Pakistan (Governor Jafarey)

I am...troubled over the trend towards the growing proliferation of policy conditions emanating from multilateral financial institutions and donors to include democratic pluralism, demilitarization and good governance. We do not dispute the desirability, nor the need, for countries to address these issues. But these are extremely difficult and sensitive areas of public policy. I would therefore like to echo the views of the Minister's of the G-24 when they say that the Bretton Woods Institutions should not be drawn into making value judgements on delicate and complex issues that do not fall within their mandates. Nor should such matters become the basis for additional conditionality.

The Philippines (Governor De Ocampo)

...more determined effort will have to be exercised in evolving decision-making processes in the twin institutions toward greater coherence with the new configurations characterizing the present world order.

The significance of international labor flows is a matter that will eventually require the attention of multilateral institutions involved in the formulation of financial and monetary policies that affect such flows. As formulation of financial and monetary policies that affect such flows. As labor shares in the more pronounced mobility of factors of production, multilateral institutions should be capable of reinforcing present initiatives to implement a universal standard of labor rights that pays due respect to the cultural distinctions present in every society.

Russian Federation (Governor Chubais)

Finally, we should mention the need to strengthen coordination of the Fund's and the Bank's activities. We know that the management of the Fund and the Bank considers this issue very important, and we welcome their efforts. Successful coordination of the Fund's and the Bank's activities is exemplified by their joint participation in the development of the Government of Russia's medium-term economic program, which we expect to complete shortly.

Socialist People's Libyan Arab Jamahiriya (Governor Bait Elmal)

...the IMF should not accept restrictions that are not motivated by economic and financial considerations; otherwise, the member countries might resort to imposing sanctions which would threaten the international payments system and jeopardize the spirit of the Bretton Woods Agreement for political and private reasons.

We call upon the IMF and its Executive Board to review Decision No. 144 of 1952, and to put it in its proper perspective in terms of interpretation and application.