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EBD/94/169

October 17, 1994

To: Members of the Executive Board

From: The Acting Secretary

Subject: Report on the 1994 Annual Meeting and Excerpts from Speeches by Governors

The Board of Governors held its 1994 Annual Meeting in Madrid, Spain from October 4-6, 1994. The Annual Meeting was preceded by meetings of the Interim Committee and the Development Committee.

The Interim Committee met on October 2, 1994 with Mr. Philippe Maystadt as Chairman. The press communiqué of the Interim Committee was circulated as Fund Press Release No. 94/69 (Attachment I). On October 4, 1994, the Board of Governors heard a report by Mr. Maystadt, which has been circulated as Joint Press Release No. 28. [The Committee agreed to hold its Spring meeting in Washington, D.C.]

The Development Committee met on October 3, 1994 with Mr. Mourad Cherif as Chairman, and issued a press communiqué (Attachment II). On October 5, 1994 the Board of Governors heard a report by Mr. Maystadt on the work of the Committee during the period July 1993-June 1994, 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. 45. The Development Committee agreed to meet again in Washington, D.C., on April 27, 1995. The concluding remarks of the Chairman will be circulated to the Committee of the Whole for the Development Committee.

Board of Governors

The Board of Governors adopted three Resolutions:

Resolution No. 49-8 - Financial Statements, Report on Audit, and Administrative and Capital Budgets

Resolution No. 49-9 - Amendments of Rules and Regulations

Resolution No. 49-10 - Appreciation

The Board of Governors also decided on the following matters:

1. Officers 1994/95 1/

Chairman	-	Benin
Vice-Chairmen	-	Paraguay and Romania

2. Joint Procedures Committee 1994/95

Barbados	Germany	Paraguay
Benin	Israel	Romania
Chile	Italy	Saudi Arabia
China	Japan	Tanzania
Ecuador	Kiribati	Ukraine
Finland	Korea	United Kingdom
France	Lithuania	United States
	Mauritius	Zimbabwe

3. 1994 Regular Election of Executive Directors

Statement of results is attached (Attachment III).

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 1994 Annual Meeting. Excerpts from speeches by Governors at the 1994 Annual Meetings on matters of interest to the Fund are reproduced in Attachment iv.

Att: (4)

Other Distribution:
Department Heads

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

ATTACHMENT I

INTERNATIONAL MONETARY FUND

PRESS RELEASE NO. 94/69

FOR IMMEDIATE RELEASE
October 2, 1994

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

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its forty-third meeting in Madrid, Spain, on October 2, 1994, under the chairmanship of Mr. Philippe Maystadt, Minister of Finance of Belgium.

2. Meeting at a time of encouraging developments in the world economy, the Committee focused on the policies required to sustain a non-inflationary expansion, reduce unemployment, and raise living standards world wide. It recalled the contribution of policy cooperation to global economic progress in the fifty years since the Bretton Woods Agreement, and re-affirmed the growing importance of such cooperation in a highly integrated global economy. In this spirit, the Committee adopted the attached declaration on cooperation to strengthen the global expansion.

3. In order to complement and support this strategy for durable growth, the Interim Committee considered several measures to strengthen the Fund's financial assistance to member countries.

With regard to access to IMF resources, the Committee considered a proposal for a temporary increase in annual access limits from 68 percent to at least 85 percent of quota. Committee members recommended that the Executive Board further consider this proposal with a view to its early adoption.

The Committee had a broad ranging exchange of views with regard to the proposal to extend the Systemic Transformation Facility with increased access. The Committee also had a broad ranging exchange of views relating to proposals for allocation of special drawing rights. Committee members requested the Chairman to conduct further consultations and to call a meeting of the Committee when he judges that the prospects for resolution of these issues are favorable.

4. The Committee requests the Executive Board to accelerate its consideration of issues relating to the distribution among member countries of the cost of operating the Fund with a view to ensuring a more effective and equitable mechanism.

5. The Committee recognizes the special needs and problems of countries emerging from economic and political disruption and also of the poorest, most indebted countries, and requests the Executive Board to examine proposals in these areas.

6. The Committee attaches great importance to the on-going effort to enhance the Fund's role in the international monetary system and its ability to serve its member countries. The Committee requests the Executive Board to pursue its work on strengthening Fund surveillance, as the central element of the Fund's contribution to better economic policies and more effective cooperation, and to continue its work on capital markets. With that objective in mind, the Committee requests for its Spring meeting a report on the methodological aspects of multilateral surveillance. Committee members affirmed their intention to reinforce the Committee's role in the process of policy cooperation and coordination, having particularly in mind the medium-term strategy.

Interim Committee Declaration on
Cooperation to Strengthen the Global Expansion

1. The immediate prospects for economic growth in the world economy are better than they have been at any time in this decade. But serious policy challenges remain. For the industrial countries the most important are to sustain economic growth, reduce unemployment and prevent a resurgence of inflation. Growth in the developing countries (and in particular, in the poorest countries) must be maintained and extended. The economies in transition must be integrated into the international economy and set firmly on the path of sustainable growth.

2. The planned entry into force of the Uruguay Round trade agreements on January 1, 1995, will enhance world economic prospects by deepening global economic integration. The Committee urges ratification of the agreements without delay, and calls for action to sustain the impetus of trade liberalization and for close cooperation between the Fund and the proposed WTO. The Committee also welcomes the growing trend toward currency convertibility and encourages member countries to remove impediments to the free flow of capital.

3. The recent success of many developing economies illustrates once again the validity of a strategy based on steadfast implementation of strong programs of macroeconomic adjustment and structural reform. The Committee urges other countries to follow a similar bold strategy for sustained economic growth and domestic and external financial stability. Such efforts by developing countries must be supported by a global environment characterized by improved access to industrial country markets and timely financial support on appropriate terms, including a flexible approach to official bilateral debt reduction for low income countries, in the context of strong policies.

4. The impressive turnaround in several economies in transition also attests to the benefits of macroeconomic discipline and structural reforms. The Committee urges all other economies in transition to be bolder in their approaches to stabilization and reform. Experience has demonstrated the central importance of early fiscal reforms and firm monetary discipline in the early stages of the transformation process to achieve financial stability. This needs to be accompanied by institution-building, price and external sector liberalization, enterprise restructuring and privatization, and financial sector reform. Social safety nets that are well targeted and cost efficient are also necessary, to alleviate the adverse impact of higher open unemployment. As in the case of developing countries, the Committee recognizes the importance of a supportive international environment.

5. The improved economic outlook for the industrial countries creates an opportunity for them to strengthen growth and reduce unemployment, while safeguarding the progress

toward price stability. The Committee attaches particular importance to the following three elements of a common strategy.

- Structural reforms to eliminate impediments to sustained growth, including steps to dismantle non-tariff trade barriers and to ensure the long-term financial viability of health care and public pension systems. The Committee notes that problems of long-term unemployment and lack of jobs for young and unskilled persons should be addressed by efforts to improve education and training and by fundamental labor market reforms to reduce disincentives to employment.

- A strengthening of fiscal consolidation efforts in 1995 and beyond as part of a medium-term strategy to significantly reduce fiscal deficits beyond the effects of cyclical recovery, and cut debt to GDP ratios, thereby facilitating lower real interest rates. The Committee notes in particular that countries with especially serious fiscal problems must not delay major corrective action.

- Readiness to adjust monetary conditions to maintain price stability, as a condition for sustaining medium-term growth, including by timely increases in interest rates with a view to preventing the emergence of inflationary pressures. This will reinforce the hard-won credibility of anti-inflationary monetary policies.

6. The Interim Committee will review progress in implementing the agreed common strategy at its Spring 1995 meeting.

INTERIM COMMITTEE ATTENDANCE

October 2, 1994

Chairman

Philippe Maystadt, Minister of Finance, Belgium

Managing Director

Michel Camdessus

Members or Alternates

Hamad Al-Sayari, Governor, Saudi Arabian Monetary Agency
(Alternate for Mohammad Abalkhail, Minister of Finance and National Economy, Saudi Arabia)
Edmond Alphandéry, Minister of Economy, France
Ahmed Humaid Al-Tayer, Minister of State for Finance and Industry, United Arab Emirates
Anwar Ibrahim, Deputy Prime Minister and Minister of Finance, Malaysia
Lloyd M. Bentsen, Secretary of the Treasury, United States
Domingo Felipe Cavallo, Minister of Economy and Public Works and Services, Argentina
Kenneth Clarke, Chancellor of the Exchequer, United Kingdom
Eneas Da Conceicao Comiche, Minister of Finance, Mozambique
Lamberto Dini, Minister of the Treasury, Italy
Marcel Doupamby Matoka, Minister of Finance, Budget, and Participations, Gabon
Ciro Ferreira Gomes, Minister of Finance, Brazil
Torstein Moland, Governor, Norges Bank
(Alternate for Sigbjoern Johnsen, Minister of Finance, Norway)
Abdelouahab Keramane, Governor, Banque d'Algérie
Paul Martin, Minister of Finance, Canada
Jacques Santer, Prime Minister and Minister of Treasury, Luxembourg (Item 2), Ivan Kocarnik, Deputy Prime Minister and Minister of Finance, Czech Republic (Item 3) and Ferdinand Lacina, Federal Minister of Finance, Austria (Item 5)
(Alternates for Philippe Maystadt, Minister of Finance, Belgium)
Aleksandr N. Shokhin, Deputy Prime Minister, Russian Federation
Manmohan Singh, Minister of Finance, India
Pedro Solbes, Minister of Economy and Finance, Spain
Otto Stich, Minister of Finance, Switzerland
Yasushi Mieno, Governor, The Bank of Japan
(Alternate for Masayoshi Takemura, Minister of Finance, Japan)
Theo Waigel, Federal Minister of Finance, Germany
Ralph Willis, Treasurer, Australia
Gerrit Zalm, Minister of Finance, Netherlands
Chen Yuan, Deputy Governor, People's Bank of China
(Alternate for Zhu Rongji, Vice Premier and Governor, People's Bank of China)

Observers

Mourad Cherif, Chairman, Joint Development Committee
Henning Christophersen, Vice President, CEC
Andrew D. Crockett, General Manager, BIS
Roger Lawrence, Deputy to the Secretary-General, Global Interdependence Division, UNCTAD
Jean-Claude Milleron, Under-Secretary-General, Department of Economic and Social Information and Policy Analysis, UN
Lewis T. Preston, President, World Bank
Peter D. Sutherland, Director-General, GATT
Salvatore Zecchini, Assistant-Secretary-General, OECD

FOR IMMEDIATE RELEASE

ATTACHMENT II

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

1818 H Street, N.W., Washington, D.C. 20433

Telephone: (202) 458-2980
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October 3, 1994

COMMUNIQUE

1. The 49th meeting of the Development Committee was held in Madrid, Spain on October 3, 1994 under the chairmanship of Mr. Mourad Cherif, Minister of Finance and Investments of Morocco. 1/ On its own 20th Anniversary, the Committee joined in congratulations to the World Bank and IMF on the 50th Anniversary of the Bretton Woods agreement, and welcomed the World Bank's publication "Learning from the Past - Embracing the Future".

TRANSFER OF RESOURCES

2. The Committee's main task is to keep under review the transfer of resources to developing and transition countries. It therefore welcomes the continued high level of total flows to these countries. It notes the slow rate of growth in official development assistance, and calls on donor countries to enhance their aid as soon as possible and to increase its focus on the poorest countries. Where appropriate, the Committee favors a reduction in the stock of debt and an increase in concessionality for the poorest countries facing special difficulties. The Committee recognizes the special needs and problems of countries emerging from economic and political disruption and also of the poorest, most indebted countries, and requests the Executive Boards to examine proposals in these areas.

3. The Committee welcomes the increased volume of private flows in recent years, to a growing number of countries which are implementing economic reforms. It notes uncertainties about the sustainability of such flows in changing world conditions, and the fact that they continue to be concentrated in a small number of countries. It urges countries not currently receiving such flows to improve their creditworthiness through macro-economic reform, and to create a climate favorable to sound private sector development; these measures will attract more foreign portfolio and direct investment. The Committee asks the World Bank Group, the IMF and industrial countries to continue their efforts to facilitate and encourage private flows to all developing and transition countries.

1/ Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Willy W. Zapata, President of the Banco de Guatemala and Chairman of the Group of 24, Mr. Peter Sutherland, Director-General of the GATT, Mr. James H. Michel, Chairman of the DAC, and Mr. Peter Mountfield, Executive Secretary, took part in the meeting. Observers from a number of international and regional organizations also attended.

AID EFFECTIVENESS

4. Effective aid requires closer collaboration between receiving countries, international organizations and donors. For aid to be most effective, it has to be adequate, and to operate in a favorable environment. Prime responsibility for domestic policies which contribute to aid effectiveness rests, of course, with the recipient countries themselves. The guiding principles for recipients are:

a. Appropriate domestic economic policies tailored to local conditions are essential if aid is to be effective;

b. The effective use of aid requires strong administrative and institutional capacity.

c. "Ownership" by the government and participation by other stakeholders, including beneficiaries, are essential;

5. The guiding principles for donors and international agencies are these:

a. The best conditions and policies for aid cannot substitute for strong "ownership", by the recipient government and good governance. Donors and recipients must collaborate to make this the basis for effective aid.

b. Donors should support participation by relevant stakeholders (especially women, the poor and other disadvantaged groups); this helps to improve the design of projects and ensure that they are properly implemented and operated. The Bank should strengthen its skill mix and incentive system for these purposes.

c. Technical assistance (TA) is likely to be most effective when it responds to clearly-defined needs and absorptive capacity of the recipient. TA should work within, and if necessary seek to strengthen, the institutional environment along the lines approved by the OECD Development Assistance Committee (DAC).

d. Multilateral agencies, including the IMF, the World Bank Group and the regional development banks, work closely to support countries' own efforts to put in place a sound framework for macro-economic and structural policies which foster the private sector and strengthen public sector management. Aid programs should be consistent with this framework, and with the country's own development priorities. Innovative approaches to achieve this objective are to be encouraged. The World Bank will strengthen its consultations with other donors who in turn will collaborate in this approach.

e. Efforts to coordinate and simplify donor aid procedures and practices should be accelerated. Aid operations should be made more transparent to improve accountability. Donors should avoid setting up mechanisms which are inconsistent with the recipients' own efforts to manage their own budgets and implement aid. Ministers support recent efforts in the DAC to reduce the use of tied aid credits. They also urge donors to minimize the additional costs associated with trade-distorting tying of aid, where this can be done without reducing volume.

f. The DAC Principles provide an appropriate framework for improving aid coordination. Consultative Groups and Roundtable Meetings are more effective when preceded by active involvement of the recipient government, and consultation with other donors. The agenda for Consultative Groups should cover issues of development strategy, aid utilization, aid coordination and technical assistance, in addition to mobilization of financial resources.

g. Recent efforts to improve the effectiveness of the World Bank and other development agencies, focussing on their development impact and on results in the field, need to be sustained and extended. Particular attention should be given to: shifting the focus from projects to country programs; improving the "quality at entry" of projects; strengthening evaluation and disclosure policies; streamlining procedures; addressing urgently the adequacy of field office networks; and changing staff incentives to focus on development impact.

h. Aid can also help to stimulate private investment; institutions like the IFC and MIGA can play a valuable role, but must pay due attention to development effectiveness.

i. Many of these principles apply with equal force to the countries in transition. However, more attention needs to be given in these countries, in differing degrees, to informing both policy makers and public opinion at large of the workings of a market economy and the complementary roles of the public and private sectors.

6. The Committee will follow up these issues carefully at future meetings and particularly looks forward to the report of its Task Force on the Multilateral Development Banks.

THE URUGUAY ROUND AND THE DEVELOPING AND TRANSITION COUNTRIES

7. The Committee reviewed the results of the recently-completed Uruguay Round negotiations and their impact on the developing and transition countries. At this stage, it was only possible to make a preliminary assessment of the likely effects. They also considered the implications for the future work of the World Bank and the IMF. The Committee believes that:

a. In addition to its global effects, the successful conclusion of the Uruguay Round will bring significant benefits to developing countries over time, through increased market access, the integration of new areas into the system, and through strengthened rules and institutions. Early ratification and implementation are therefore essential.

b. These benefits will accrue particularly to those countries which pursue sound macroeconomic policies and adopt market-based reforms.

c. A number of developing countries should benefit in particular from the phased integration of textiles and clothing into the multilateral system, although the timetable for liberalization will delay these benefits.

d. Some countries may need help to adjust to higher world food prices and the erosion of preferences, although most of them will gain from the reduction of agricultural subsidies. Initial studies made by the Bank and the Fund indicate that the negative effects are likely to be fairly small, and existing instruments seem adequate to deal with them. Further research may refine these findings. Meanwhile, the Bank and the Fund must be ready to address these problems.

e. In the longer run, it is important to keep up the momentum of mutually-advantageous trade liberalization and avoid new forms of protectionism.

f. The task of the Bank and the Fund is to assist developing and transition countries to ease the change to the new trading system, by providing policy advice, financial support and technical assistance in order to maximize the gains from new market opportunities.

g. It will also be necessary to bring the transition countries (many of whom are not yet members of GATT) into the multilateral process as quickly as possible, so that they can fully share the benefits of trade liberalization and enlarged market access, without discrimination. The Bank and the Fund should encourage and assist these countries in their efforts to become more fully integrated into the multilateral trading system and to adopt policies that will facilitate their accession to the WTO.

8. The Committee believes it is essential for both institutions to collaborate closely with the new World Trade Organisation and notes that the ministerial Declaration at the end of the Uruguay Round calls for early talks between the Director-General of the WTO and the heads of the Bank and Fund.

POPULATION

9. Ministers from the participating countries welcomed the outcome of the recent United Nations Conference on Population and Development which it discussed at its last meeting. The Committee called on the World Bank and conference participants to play an active part in implementing the Programme of Action approved by the Conference.

DESERTIFICATION

10. It also welcomed last month's agreement on the anti-desertification convention, called for its early ratification, and encouraged the World Bank to continue its active support for development and environmental management in dryland areas.

NEXT MEETING

11. The Committee agreed to meet again in Washington, DC on April 27, 1995, when the principal topic for discussion will be the financing of infrastructure in developing countries.

BOARD OF GOVERNORS • 1994 ANNUAL MEETING • MADRID, SPAIN

INTERNATIONAL MONETARY FUND

F

Document No. 12

October 5, 1994

INTERNATIONAL MONETARY FUND

1994 REGULAR ELECTION OF EXECUTIVE DIRECTORS

STATEMENT OF RESULTS OF ELECTION, OCTOBER 5, 1994

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes
Muhammad Al-Jasser	Saudi Arabia	51,556
Jarle Bergo	Denmark	10,949
	Estonia	715
	Finland	8,868
	Iceland	1,103
	Latvia	1,165
	Lithuania	1,285
	Norway	11,296
	Sweden	16,390
		51,771
Luis Enrique Berrizbeitia	Costa Rica	1,440
	El Salvador	1,506
	Guatemala	1,788
	Honduras	1,200
	Mexico	17,783
	Nicaragua	1,211
	Spain	19,604
	Venezuela	19,763
		64,295

Ian Clark	Antigua and Barbuda	335
	The Bahamas	1,199
	Barbados	739
	Belize	385
	Canada	43,453
	Dominica	310
	Grenada	335
	Ireland	5,500
	Jamaica	2,259
	St. Kitts and Nevis	315
	St. Lucia	360
	St. Vincent and the Grenadines	310
		55,500
Barnabas S. Dlamini	Angola	2,323
	Botswana	616
	Burundi	822
	Eritrea	365
	Ethiopia	1,233
	The Gambia	479
	Kenya	2,244
	Lesotho	489
	Liberia	963
	Malawi	759
	Mozambique	1,090
	Namibia	1,246
	Nigeria	13,066
	Sierra Leone	1,022
	Swaziland	615
	Tanzania	1,719
	Uganda	1,589
	Zambia	2,953
	Zimbabwe	2,863
		36,456
K. P. Geethakrishnan	Bangladesh	4,175
	Bhutan	295
	India	30,805
	Sri Lanka	3,286
		38,561

J. E. Ismael	Cambodia	900
	Fiji	761
	Indonesia	15,226
	Lao People's Democratic Republic	641
	Malaysia	8,577
	Myanmar	2,099
	Nepal	770
	Singapore	3,826
	Thailand	5,989
	Tonga	300
	Viet Nam	2,666
		41,755
Daniel Kaeser	Azerbaijan	1,420
	Kyrgyz Republic	895
	Poland	10,135
	Switzerland	24,954
	Tajikistan	850
	Turkmenistan	730
	Uzbekistan	2,245
		41,229
Alexandre Kafka	Brazil	21,958
	Colombia	5,863
	Dominican Republic	1,838
	Ecuador	2,442
	Guyana	922
	Haiti	691
	Panama	1,746
	Suriname	926
	Trinidad and Tobago	2,718
		39,104
Willy Kiekens	Austria	12,133
	Belarus	3,054
	Belgium	31,273
	Czech Republic	6,146
	Hungary	7,798
	Kazakhstan	2,725
	Luxembourg	1,605
	Slovak Republic	2,824
	Slovenia	1,755
	Turkey	6,670
		75,983

Yves-Marie T. Koissy	Benin	703
	Burkina Faso	692
	Cameroon	1,601
	Cape Verde	320
	Central African Republic	662
	Chad	663
	Comoros	315
	Congo	829
	Côte d'Ivoire	2,632
	Djibouti	365
	Equatorial Guinea	493
	Gabon	1,353
	Guinea	1,037
	Guinea-Bissau	355
	Madagascar	1,154
	Mali	939
	Mauritania	725
	Mauritius	983
	Niger	733
	Rwanda	845
	São Tomé and Principe	305
	Senegal	1,439
	Togo	793
		19,936
Giulio Lanciotti	Albania	603
	Greece	6,126
	Italy	46,157
	Malta	925
	Portugal	5,826
	San Marino	350
		59,987
Abbas Mirakhor	Afghanistan, Islamic State of	1,454
	Algeria	9,394
	Ghana	2,990
	Iran, Islamic Republic of	11,035
	Morocco	4,527
	Pakistan	7,832
	Tunisia	2,310
		39,542

Carlos Saito Saito	Argentina	15,621
	Bolivia	1,512
	Chile	6,467
	Paraguay	971
	Peru	4,911
	Uruguay	2,503
		31,985
A. Shakour Shaalan	Bahrain	1,078
	Egypt	7,034
	Iraq	5,290
	Jordan	1,467
	Kuwait	10,202
	Lebanon	1,037
	Libya	8,426
	Maldives	305
	Oman	1,444
	Qatar	2,155
	Syrian Arab Republic	2,349
	United Arab Emirates	4,171
	Yemen, Republic of	2,015
		46,973
Dmitri V. Tulin	Russian Federation	43,381
Ewen L. Waterman	Australia	23,582
	Kiribati	290
	Korea	8,246
	Marshall Islands	275
	Micronesia, Federated States of	285
	Mongolia	621
	New Zealand	6,751
	Papua New Guinea	1,203
	Philippines	6,584
	Seychelles	310
	Solomon Islands	325
	Vanuatu	375
	Western Samoa	335
		49,182

J. A. H. de Beaufort Wijnholds	Armenia	925
	Bulgaria	4,890
	Croatia	2,866
	Cyprus	1,250
	Georgia	1,360
	Israel	6,912
	Macedonia, former Yugoslav Republic of	746
	Moldova	1,150
	Netherlands	34,692
	Romania	7,791
	Ukraine	10,223
		72,814
ZHANG Ming	China	34,102

/s/ Mamadou Diop
Teller

/s/ Stefan Ingves
Teller

ATTACHMENT IV

EXCERPTS FROM SPEECHES BY GOVERNORS AT THE
1994 ANNUAL MEETINGS ON MATTERS OF FUND INTEREST

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1/	Germany (Mr. Waigel)	-	Speaking on behalf of the Member States of the European Union
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4/	Norway (Mr. Moland)	-	Speaking on behalf of the Fund Nordic Countries
5/	St. Vincent and the Grenadines (Mr. Mitchell)	-	Speaking on behalf of the Joint Caribbean Group
6/	Solomon Islands (Mr. Nori)	-	Speaking on behalf of the Federated States of Micronesia, Kiribati, the Marshall Islands, the Solomon Islands, Vanuatu, and Western Samoa
7/	Venezuela (Mr. Sosa)	-	Speaking on behalf of the Latin American Governors of the Fund
8/	Lithuania (Mr. Ratkevicius)	-	Speaking on behalf of the Joint Baltic Group
9/	Colombia (Mr. Perry)	-	Speaking on behalf of the Latin American Governors of the Bank
10/	Finland (Mr. Viinanen)	-	Speaking on behalf of the Bank Nordic Countries

1. Fiftieth Anniversary of the Bretton Woods Institutions; the Evolving Role of the Fund

Islamic State of Afghanistan (Mr. Tarzi)

We are aware that perhaps the international community may have outgrown some of its initial romantic enthusiasm for the idealism of the United Nations, but it should be underlined that this world organization and the two complementary financial and monetary institutions, the IMF and the World Bank, which were established half a century ago, happen to be the only common denominator in their respective spheres between all nations of the world.

Austria (Mr. Lacina)

The creation of the Bretton Woods institutions 50 years ago was an act of political and economic wisdom: They were established within the wider political context of institution building to reverse the disastrous isolationist economic policies of the 1930s and to prevent a recurrence of fascism and war. Their mandate has been to promote economic welfare and high employment, mostly through an open trading system, exchange rate stability, and financial assistance.

During the first half of the period, the gradual liberalization of trade and payments as well as stable exchange rates allowed unprecedented economic expansion, with rapidly improving living standards and falling unemployment. The World Bank assisted the process through generous infrastructure lending.

...International cooperation was so successful that, by the early 1960s, most industrial countries no longer needed World Bank financing. By the mid-1970s, after massive borrowings in the years before, Western Europe no longer needed Fund resources either. International cooperation has worked less well during the second half of the period. As the Managing Director of the Fund has pointed out, since the fixed exchange rate regime collapsed, no political agreement on a global and coherent approach to exchange rate management has been able to be reached. Present arrangements carry painful and avoidable costs in terms of output and employment losses.

It is true that new areas of cooperation have been added: recycling oil surpluses in the 1970s; monitoring the debt crisis in the 1980s, with the Fund and the Bank playing a crucial role in the subsequent international debt negotiations; and, finally, supporting the transition process of the former centrally planned economies in the 1990s. At the same time, both institutions have provided financial and technical assistance to developing countries.

Yet the years ahead should be more than a mere continuation of the recent past. The policy environment has dramatically changed: the world economy has become both more integrated and more vulnerable; individual and sometimes even collective policy action has become less effective, in particular with respect to currency intervention. Finally, after two decades of slower growth, most member countries suffer persistent and partly alarmingly high unemployment as well as severe fiscal imbalances. The loss of exchange rate discipline has certainly been one of the contributing factors to this state of affairs.

What we need most after 50 years is a revival of the spirit of cooperation that carried the architects of the Bretton Woods agreement. As Mr. Camdessus pointed out in his speech yesterday, the Interim Committee should function as the appropriate forum for policy coordination. No doubt if we want to increase the efficiency of its work we need a strong commitment of all members to cooperation and solidarity.

Belgium (Mr. Maystadt)

In the past, the Bretton Woods institutions did not hesitate in taking up their responsibilities in the face of major world challenges. While they may at times have tended too much to propose universal remedies for specific situations, today they clearly demonstrate a greater desire to adapt their policies to the diversified needs of their members. I am pleased by this change.

Nevertheless,

(i) the programs of the Bretton Woods institutions have not yet succeeded in bringing about a fundamental improvement in the living conditions of many low-income countries, particularly in sub-Saharan Africa;

(ii) the IMF has not yet succeeded in exercising systematic influence on the economic policies of the major industrial countries, nor in replacing the Bretton Woods system with a new framework for exchange stability; and

(iii) the IMF must reposition itself in a globalized economy, which will require in particular a strengthening of its ability to meet the exceptional needs that may arise on markets with a global scale.

Canada (Mr. Peters)

The establishment of the Bretton Woods institutions in 1944 was an act of great vision. In the ensuing 50 years, they have had a profound influence on the world in which we live. They have tackled some of the most intractable problems facing the international system with flexibility and imagination. To continue to prosper in a rapidly changing global economy, the continued leadership of the Fund and the Bank will be indispensable.

China (Mr. Zhu)

Fifty years ago, when the Bretton Woods institutions came into being, the world was still at war. Though profound changes have taken place over these years, peace and development remain the two major pressing tasks facing the international community. Maintenance of world peace calls for concerted efforts, active participation, peaceful coexistence, and mutual respect by all nations. And development of the world economy requires close cooperation between industrial and developing countries. The economic growth of the developing world is indispensable for that of industrial countries. The industrial countries should help to create a more favorable environment for the developing countries.

The Chinese Government has all along maintained that in international affairs, all nations, large or small, strong or weak, should be treated equally and should have the right to choose a social system and mode of development suited to their national conditions. In trade and economic cooperation, the principle of equality and mutual benefit should be observed and nobody should attach any political strings to that. Otherwise, we would not be able to obtain common development and prosperity.

Over the past 50 years, the International Monetary Fund and the World Bank have played a positive role in postwar economic reconstruction, alleviating the debt crisis, and providing development funds. The admission of a large number of countries into these two institutions since the beginning of the 1990s has both increased their universality and presented greater challenges. To meet these challenges, they will have to strengthen their role in promoting economic cooperation and development. At the same time, they should strictly observe the codes of conduct as contained in their Articles of Agreement and adopt a fair and objective approach to the needs of their members. We hope that the position of the developing countries in the Fund will be enhanced to reflect their actual economic strength.

Côte d'Ivoire (Mr. Duncan)

Now more than ever, our countries need the financial support of their multilateral and bilateral partners to bring their reforms to a successful conclusion. The time is right for our Bretton Woods institutions to consolidate the progress made over the last 50 years.

Of course, these institutions must adapt to new times and changing circumstances, but international financial cooperation should remain an indispensable element in the collective prosperity of our planet, and the essential tools of such cooperation should be preserved.

As I mentioned during the recent Washington discussions on the occasion of the fiftieth anniversary of the Bretton Woods institutions, these institutions have played and continue to play a unique role in maintaining a stable international monetary system and in the fight against poverty throughout the world.

We think that this role should be not only pursued but also strengthened, with due regard for changing economic conditions in individual countries, of course.

Croatia (Mr. Jurkovic)

I would like to congratulate you on the fiftieth anniversary of the successful work of the Bretton Woods institutions. It is a respectable time span in the work of any international organization.

In this period, both the IMF and the World Bank Group have managed to achieve most of the goals for which they were founded, such as promoting international monetary cooperation, stabilizing exchange rates, improving the multilateral payments system, assisting countries with balance of payments problems, providing long-term financing of economic development especially in poorer countries, and promoting economic and social progress.

France (Mr. Alphandéry)

As we are celebrating the fiftieth anniversary of the Bretton Woods institutions, I believe this is a good opportunity to reflect on the new duties the IMF should take on, particularly to strengthen its multilateral surveillance of the world economy. The coordination of our economic and monetary policies remains the key element of this. However, we cannot content ourselves with the wise advice that each country should keep its own house in order. I am convinced that greater vigilance on exchange rate developments would strengthen our credibility and, therefore, our collective success....

In summary, the Fund should revert to the central position it held at the outset--without, of course, neglecting the new duties which have been entrusted to it over the years and which it has discharged competently and efficiently....

In conclusion, I would like to pay tribute to the Bretton Woods institutions, which have succeeded in keeping in step with changes that have occurred throughout the world over the past 50 years. I am confident that they will show similar resourcefulness in rising to the challenges of today. France stands ready, as ever, to help. I am convinced that they symbolize the three principles at the heart of our common endeavor: dialogue, cooperation, and solidarity.

Germany (Mr. Waigel) 1/

Fifty years ago, the IMF was established to promote international monetary cooperation, exchange rate stability, and the expansion and balanced growth of world trade. In fulfilling its mission, the IMF has contributed decisively to the free flow of goods, services, and capital, and thus to a more efficient allocation of resources.

Since the establishment of the Fund, the volume and the forms of trade and payments have increased enormously, and the challenges have continuously changed. Particularly important milestones came with the end of the Bretton Woods system of fixed exchange rates, the emergence of the debt problem, and the beginning of the transformation process in the countries of Central and Eastern Europe and of the former Soviet Union. In the face of these challenges, the IMF showed itself to be an effective institution, because it was able to adapt while at the same time remaining true to its objectives. The guiding principle of the IMF--that economic, monetary, and fiscal policies consistently directed to stability are a necessary condition for currency stability--retains all its validity....

In conclusion, we wish to thank the Bretton Woods institutions for their valuable work in the service of their members over the last 50 years. The institutions are now facing new challenges and increased scrutiny in the changing world economic and social environment. We are confident that the Fund and the Bank are well equipped, within their respective spheres of competence, to master the challenges that the future will bring. They can rightly be proud of their high standing and of their highly motivated staffs, and they can count on the strong support of their memberships.

Germany (Mr. Tietmeyer)

This is a very special year. The Bretton Woods institutions are celebrating their fiftieth anniversary, and, following the accession of numerous countries in the past few years, they have become truly global institutions. At the same time, and notwithstanding many difficulties, the transformation process in the Central and Eastern European countries is making increasing progress, accompanied by growing economic and political cooperation with the countries of the EU....

In a world of growing economic and financial integration, institutions such as the IMF and the World Bank Group are clearly indispensable. In the future, they will be rather more important than in the past.

However, their future impact and relevance will depend in particular on the following conditions. On the one hand, the IMF and the World Bank must tackle those tasks--within the tried-and-tested framework of division of labor and cooperation--which they can master under their respective mandates and in keeping with the need for stability. On the other hand, they must resist the temptation to take on tasks that they cannot master, and the pursuit of which would be detrimental to their proper objectives.

In our view, all proposals and recommendations on the future role of the IMF and the World Bank should be assessed against those criteria. Specifically, we would suggest the following.

(1) The IMF is a monetary institution. It should therefore concentrate primarily on solving monetary problems so as to promote a stable international monetary system and thereby pave the way for growth and employment. Growth and employment should not be mistakenly advocated as goals of the Fund in their own right.

(2) The stability-oriented conditionality of IMF credit arrangements, while it should be applied with due flexibility, is indispensable and should--whenever appropriate--be strengthened. It is a precondition not only for successful stabilization and reform but also for the continued financial integrity of the Fund and thus its viability.

(3) We basically welcome all realistic efforts within the Fund at strengthening monetary cooperation. However, there are limits to such efforts where they would be inconsistent with a strict and persistent noninflationary policy orientation. This applies in particular to proposals to introduce "formalized" exchange rate arrangements for the world's major currencies. The different structures and traditions in a multipolar world cannot be smoothed out simply by pegging or targeting exchange rates.

(4) Inadequate stabilization and reform, and the associated shortcomings in policies and performance, cannot and must not be compensated for by the artificial creation of liquidity. In particular, it cannot be used to make up for insufficient savings.

A general allocation of SDRs is, therefore, not a solution for this problem. On the contrary, it could negatively influence inflationary expectations in international financial markets, since the only relevant criterion, "long-term global need," is not met under present circumstances.

However, we consider it desirable and--in terms of monetary stability--justifiable to ensure by means of a onetime special allocation that, above all, the new members of the Fund can participate adequately in the SDR system. We hope an agreement will be reached soon....

Germany will remain a reliable and dependable partner of the international community in the future. Within the framework of international cooperation, my country is willing to face the new challenges and to make a constructive contribution to the resolution of international economic and monetary problems.

The same holds true for our attitude toward the future role of the Bretton Woods institutions: freedom and welfare must be the objectives, cooperation and integration the instruments, and realism and financial stability the basis of our policies.

Guinea (Mr. Camara) 2/

Clearly, reversing the process of continued impoverishment of Africa is perhaps the greatest challenge facing the international community in general, and, in particular, the Bretton Woods institutions as they begin a second half-century of their existence. In our view, the task for the international community is twofold: first, to help Africa play a significant role in the global economy so that our continent fully shares in the benefits of expanded trade and technological advancements and, second, to assist Africa vigorously in tackling the problem of poverty.

India (Mr. Singh)

In this fiftieth anniversary year of the Bretton Woods Conference, it is perhaps appropriate for me to share with you some thoughts about the future role of the Bretton Woods institutions. As many Governors have noted, there is much in the past 50 years in which the world can take satisfaction. Growth of world output, including output in developing countries, has proceeded at a much faster pace than in any other period of history, and the growth of world trade has been even faster, knitting both the developed and developing world into one market. And yet, a great deal more needs to be done. Many developing countries are still far from achieving self-sustaining growth. A quarter of the world population lives in extreme poverty. This is at a time when the material and technological resources in the world, as well as the institutional framework of international cooperation, and the breakdown of ideological barriers all over the world make us unusually well-placed to tackle these problems. For the first time in human history, the complete conquest of poverty, ill health, and illiteracy is technically and financially a feasible goal of human endeavor. This is the objective to which the Bretton Woods institutions must dedicate themselves.

Let me begin with the role of the Fund. The Fund was set up to perform two main functions: supervise the international monetary system and be a lender of last resort. The changes in the world economy, since its creation, have had their impact on both functions. As far as supervision and surveillance are concerned, events have evolved very differently from what the founding fathers had envisaged. The shift to floating exchange rates in the mid-1970s made coordination of macroeconomic policy of industrial countries' policies more, rather than less, important. But the fact is that we have not devised a satisfactory system of multilateral coordination of macropolicies. This role is performed not in the Fund, but in groupings of major industrial countries, such as the Group of Seven (G-7) or in even smaller groups. We recognize of course that macroeconomic coordination is not a simple matter as it involves reconciliation of sovereign interests. Nonetheless, global interdependence requires that such coordination should take place as part of a truly multilateral process. The IMF is the logical forum for such coordination.

The second role of the Fund is that of lender of last resort. This role too has changed profoundly. Since the late 1970s, no industrial country has borrowed from the Fund, nor is one likely to in the future. The lending role is therefore of relevance only to the developing countries and the economies in transition. However, the role is of increasing importance since the payments position of these countries is subject to more, rather than less, uncertainty, as they open up and integrate their economies into a world in which exchange rate volatility and volatility of capital flows are increasing.

The Fund has made commendable efforts in the past to adjust to these changes by expanding the range of its facilities and recognizing the need to devise stabilization programs which are explicitly set within a medium-term growth-oriented framework. This flexibility has enabled the Fund to help many countries through periods of difficulty. We, in India, have benefited from this and are happy to acknowledge this support. The Fund's ability to assist must be strengthened in the future, and the process of tailoring its lending policies to the requirements of the situation should continue. In particular, issues of distributive justice, which lie at the heart of sustainable social and economic reform, must be effectively addressed....

My fellow Governors, we live in a world of unprecedented change. There are immense opportunities on the horizon provided we have the wisdom to recognize the imperative of effective international cooperation for purposeful and equitable management of global interdependence. The Bretton Woods institutions must work toward this objective.

Indonesia (Mr. Afiff)

May I first of all join in the congratulations to the World Bank and the IMF on the occasion of their fiftieth anniversary. In the past 25 years Indonesia has had every reason to be highly appreciative of the role of the Bank and the Fund and the support they have given to our efforts to achieve economic stabilization, recovery, and development. Our relations with the Bank and the Fund have been excellent throughout, thanks to mutual respect of, and confidence in, each other's officials who have worked together. We have enjoyed this parity in professional relationships and wish that such can be duplicated in all developing countries where the Bank and the Fund are working.

Living in an increasingly interdependent world, we must be honest in our relationships. We must strive very hard to make such relationships more equitable and democratic. Members of the Bank and the Fund are either borrowers or lenders. The borrowers are developing countries. The more important shareholders are donor countries, among whom a small minority of large industrial nations call the tune. This dichotomy creates an asymmetry in relations, and developing countries often find themselves at the short end of a deal. For instance, surveillance and conditionalities are imposed much more upon borrowing developing countries, as the industrial countries are not borrowers. Moreover, norms are set by the major industrial countries, even though such practice is in clear contradiction to the widely acclaimed merits of democracy.

The management of the Bank and the Fund assumes a very strong position in relation to Executive Directors and even Governors of the developing countries. In such a relationship, sometimes accentuated by some unintended arrogance of power, errors in judgment often go unchallenged....

Developing countries also see the asymmetry as the Bank and the Fund are more accommodating to criticism from nongovernmental organizations (NGOs) from the North in comparison to the occasional muted protestations of the countries of the South, even if they refer to the same or similar issues.

In order to remedy the weaknesses in the present system, a truly representative intergovernmental review of the functioning of the Bretton Woods institutions and their future role in the changing world economy is needed. The initiation of such a representative intergovernmental review should be one of the major outcomes of the fiftieth anniversary meeting in Madrid.

Islamic Republic of Iran (Mr. Mohammad-Khan)

At this fiftieth anniversary of the Bretton Woods institutions, I would like to acknowledge the contributions that the IMF and the World Bank have made to the world economy. At the same time, I would join other speakers in emphasizing the need for fundamental improvements in the operations of the international monetary and financial system.

Additionally, and taking into account the international cooperative character of these two institutions, one of the urgent steps to be taken is avoidance of political considerations and observance of the principle of impartiality in accomplishment of the tasks entrusted to them. Unfortunately, and contrary to the spirit and the letter of their Articles, it appears that the performance of these institutions is alarmingly influenced by noneconomic factors. In this context, it is worth recalling the advice of John Maynard Keynes to the Board of Governors of the two institutions on the occasion of the inaugural meeting of the IMF and the World Bank on March 9, 1946: "If these institutions are to win the full confidence of the suspicious world, it must not only be, but appear, that their approach to every problem is absolutely objective and ecumenical, without prejudice or favor."

Iraq (Mr. Hussein)

Two years ago, and during the Annual Meetings, the Iraqi delegation stated that one of the most important objectives of the IMF, as set forth in

Article I, Section 4 of its Articles of Agreement, is to eliminate barriers to trade and international settlements. Today, I repeat what was stated then, and add that the Fund, since the historic Bretton Woods Conference, has continued to emphasize the importance of free world trade to economic stability and prosperity. No time is more suitable than today to highlight this principle when we are commemorating the fiftieth anniversary of the Bretton Woods institutions.

Ireland (Mr. Ahern)

I am glad that so many are taking the opportunity of this fiftieth anniversary year of the Bretton Woods institutions to review progress, assess performance, and look again at objectives. Review and renewal should, of course, be a constant preoccupation for shareholders, managements, and staffs of both institutions and not an activity limited to a special birthday celebration....I am concerned that the NGOs have such a negative view of the role played by the Bretton Woods institutions....

We are moving into a period of greater accountability. The international financial institutions, and their member governments, are now increasingly being called to account in a more rigorous way in national parliaments and by nongovernmental organizations. In the course of last year in Ireland, there was a significant parliamentary debate on the debt problem of the developing countries which covered the roles of the Fund and the Bank. I welcome these developments and trust that we will all rise to the challenge.

Both institutions have shown in the past that they are responsive to changing circumstances, and that gives me confidence in their ability to face the future. The challenge now facing them is to prove their continuing relevance and effectiveness by word and by deed....

I welcome the fact that the institutions are moving toward greater openness and transparency in the conduct of their affairs. I have in mind the World Bank's improved information policy and its new "grievance procedure"--the independent inspection panel. I am glad that the IMF is also discussing increased openness and accountability. A particularly welcome feature is that the concept of good governance is being developed as one of the conditions for assistance. This can address such issues as excessive expenditure on military budgets, and institutional shortcomings which lead to waste of resources or diversion of expenditure from the key social areas. I am also glad to see that both institutions are becoming more sensitive to gender and environmental issues. This is vital to the people in the developing world....

The fiftieth year of the Bretton Woods institutions is a good opportunity for a fundamental review of their role. I am confident that they will remain flexible in their approach and be ready to respond to new issues as they arise. The issues of world poverty, debt, and the environment are, for some, life and death issues. They need to be addressed more intensively than at present. The cries of those in need must be answered. Both the Bank and the Fund must be part of that answer.

Israel (Mr. Frenkel)

On the occasion of the fiftieth anniversary of the IMF and of the World Bank, I wish to express my appreciation for the important roles played by both institutions in implementing the Bretton Woods principles of multilateral economic cooperation.

During the half-century since their inception, the Bretton Woods institutions have had to respond to crises beyond those that were envisioned in their original mandate. It is to their credit that by continuous, combined efforts, the IMF and the World Bank have responded to fundamental changes by adjusting their roles without deviating from that mandate.

Since the beginning of this decade, they are again in the throes of adjustment to a new political and economic reality and are instrumental in the transition of the former centrally planned economies into market economies. Their role in this process has required imaginative evolutionary adaptations. The systemic transformation facility (STF) is a specific example of the way the IMF, recognizing that traditional facilities were simply not adequate, reacted by creating a new facility, tailored to the challenges of the hour.

The need for cooperation between the [IMF and the World Bank] has been highlighted by the transition process. There is no easy distinction between the stabilization efforts and the restructuring tasks in this process, where they are intertwined more than anywhere else. That is why cooperation between the IMF and the World Bank is so essential. Furthermore, it is encouraging that, thanks to multilateral efforts jointly coordinated by the IMF and the World Bank, we are now in the process of resolving some of the problems that arose in the early 1990s.

Italy (Mr. Dini)

In the 50 years since the Bretton Woods conference, output and living standards in our nations have grown at an unprecedented pace. Per capita GDP has more than quadrupled in most industrial countries, while in the preceding 50 years it had barely doubled. Many nations remain unacceptably poor, but economic development has taken off in most areas. Extraordinary new opportunities are starting to emerge in the countries in transition. Together with sweeping advances in science and technology, widespread acceptance of free market principles, increasingly liberal trade policies, and international cooperation have been the key policy choices which have made the successes of the post-war era possible. No one can doubt that the activity of the Bretton Woods institutions has been an important contributory factor.

Japan (Mr. Mieno)

This year marks the fiftieth year since the signing of the Bretton Woods agreements establishing the Fund and the Bank. It is clear that the world economy has been transformed dramatically over the past half century. Trade and current account transactions have been liberalized, exchange controls have been relaxed, and open, multilateral economic relations have been strengthened under the aegis of the Bretton Woods institutions, resulting in increased international capital flows. The rapid increase in cross-border transactions, technological advances, and the development of capital markets in many countries have indeed worked to integrate financial markets and the world economy. The Fund and the Bank have responded well and flexibly to the changes in the world economic environment and the evolving array of issues. They functioned effectively in response to such challenges as the oil crisis and the debt crisis, and they contributed importantly to world economic growth and stability by, for example, expanding structural adjustment support for the developing countries and assisting the countries in transition. I trust they will continue to serve us well in the years ahead....

...The Fund has moved in a timely and appropriate manner to establish various facilities--including the structural adjustment facility (SAF), the enhanced structural adjustment facility (ESAF), and the STF--in response to the needs of members in the changing world economy....

I hope that the Fund will continue to perform its catalytic function as a provider of the financial assistance needed to promote disciplined adjustment policies by the borrowing countries and that it will continue to be able to respond flexibly to the changes in the world economy and financial markets....

Having developed a wealth of experience and expertise over the last 50 years, the Fund and the Bank have an increasingly important role to play in achieving the stable development of the world economy. I thus hope that they will continue to encourage sound macroeconomic policies for all countries--industrial, developing, and those in transition--and will continue to be pivotal in resolving the various issues facing the world economy.

Korea (Mr. Kim)

The Bretton Woods institutions have had broad success in fulfilling their roles and responsibilities as stipulated in their Articles of Agreement. They have rendered indispensable contributions to the global economy by responding effectively and flexibly to the various international financial difficulties of the past half century. They have also extended valuable assistance to developing countries by providing them with much needed financial resources and policy advice. However, it is evident that the influence of the Fund in guarding the international financial order has waned, following the shake-up of the international monetary system in the early 1970s and with the expansion of the international capital markets. In addition, the general economic conditions of many industrial countries deteriorated, and, with poor coordination, the economic policies of the industrial countries diverged. As a result, exchange rate misalignments and volatility increased and capital movements became more unstable....

Regarding the future of the Bretton Woods institutions, I want to take up the issue of representation in the governance of the Fund and the Bank. As all of us are well aware, the Asian countries, including Korea, represent one of the most dynamic regions in the world. Their financial contributions to the Bretton Woods system have also increased considerably, and this is reflected in the recent replenishments of the ESAF. However, some Asian countries are not adequately represented in either the Fund or the Bank. I believe this seriously undermines the legitimacy and respectability of the governance of the institutions. Thus, I would like to request that the representation of the successful Asian economies be adjusted to a level commensurate with their enhanced economic status. Expediting the Eleventh General Review of Quotas next year, the Fund should adjust the gap between the actual and the calculated quotas of these countries.

Kuwait (Mr. Al-Sabah) 3/

...These meetings coincide this year with the fiftieth anniversary of the Bretton Woods Conference. It is clear that the achievements of the Bretton Woods institutions over the last five decades have been quite remarkable.

It is equally clear that the challenges posed by the fundamental changes in the international arena on both the political and economic levels during the recent years require the perseverance of efforts by the two institutions to contribute effectively to transforming these challenges into opportunities for progress and development within a cooperative international framework.

The capabilities exhibited by the two institutions to adapt effectively to new developments over the years give us confidence that they will be equally capable of fulfilling their responsibilities with the efficiency and effectiveness for which they are renowned.

Lao People's Democratic Republic (Mr. Souphanouvong)

The Lao PDR Government realizes that both the IMF and the World Bank should continue to serve as consultants and funding agencies for further development. Therefore, we support the statements of the Managing Director of the IMF on the occasion of the Annual Meetings of the Board of Governors on October 4-6, 1994.

The Socialist People's Libyan Arab Jamahiriya (Mr. Bait Elmal)

As we celebrate these days the fiftieth anniversary of the Bretton Woods institutions, it is incumbent upon us to take an introspective look at their experience and to assess their activities, with a view to entering a new era, during which we should be better able to face challenges and meet the needs of all members, particularly those in the developing world. We, in the Great Jamahiriya, highly value the important role played by the Bank and the Fund over the past 50 years in supporting the developing countries and standing by them. Our delegation feels, however, that numerous challenges still lie ahead. Among these are low living standards for millions in Africa and Asia, severe indebtedness, and trade barriers in the face of developing country exports. This calls for a comprehensive assessment of the activities of the Bretton Woods institutions, with a view to achieving equity among members and affording the developing countries a greater opportunity to participate in formulating the policies of the two institutions and to benefit from their financial resources.

Malaysia (Mr. Anwar)

Our meeting this year marks a watershed in the history of the Bretton Woods institutions--the IMF and the World Bank. Its significance is not because it coincides with their fiftieth anniversary, but more importantly because we are now living in a period altered radically from that when these institutions were conceived. The voices calling for the reform of these institutions must be supported to enable it to "embrace the future."

We must rise to the challenge of the unprecedented consensus in world opinion toward economic growth. Never before have countries and societies with all shades of political opinion come to agree upon the primacy and necessity of growth to ensure the prosperity and the just distribution of economic wealth.

Both institutions must actively forge a stable international economic environment that is conducive to growth and sustainable development....

The World Bank and the IMF are indeed powerful agents for change both in social and economic spheres. We all concur in the basic proposition that macroeconomic stabilization and restructuring are necessary measures for growth; and development should result in and be accompanied by the realization of humanitarian ideals--which include the enlargement of freedom, accountability in the public sphere, justice in distribution, and the elimination of all forms of oppression. Nevertheless, no matter how passionate our belief in these ideals may be, we must guard ourselves against trying to impose them on others with varying and complex circumstances....

...If we genuinely believe in the relevance of the Bretton Woods institutions, we must be willing to reform and redefine the global economy to enable all countries to achieve their growth potential.

Malta (Mr. Dalli)

The future role of the Bretton Woods institutions is certainly an issue that concerns us all. The fiftieth anniversary of the setting up of these institutions may appear a fitting occasion to reflect on their effectiveness and achievements throughout this period. It also presents us with an opportunity to carefully consider how--in a much changed world from that of the immediate postwar period--the technical and financial resources of these institutions could best be applied to the economic needs of the global community. The report prepared by the Bretton Woods Commission makes constructive recommendations in this regard.

On our part, we do believe that certain systemic reforms of these institutions should be undertaken to enable them to face the challenges of the future. While their authority and influence should be enhanced, there may be a need for a review of representation at the decision-making level to ensure the active participation of emerging industrial nations. In the case of the Fund, its role in promoting international cooperation and stable exchange markets should be strengthened, possibly by enhancing its powers to coordinate the macroeconomic policies of the major industrial countries....

We feel that, notwithstanding the problems that have affected the world economy since the breakdown of the fixed exchange system in the early 1970s, the Bretton Woods institutions have been a positive force in maintaining orderly conditions in the international monetary system, while at the same time supporting long-term economic development. While as I have just stated we favor institutional reform, we do not advocate any amalgamation of the two institutions since we recognize that they have different roles to fulfill, which complement one another.

Netherlands (Mr. Zalm)

It is tempting to use this fiftieth anniversary of the Bretton Woods institutions for a survey of their feats. However, it is more in the spirit of the IMF and the World Bank to look forward. The future tasks of the IMF and the World Bank should be the focal point of a discussion among all members and with the active participation of the Bretton Woods institutions themselves. What role do we envisage for the IMF and the World Bank on the world stage, the setting of which has so dramatically changed since 1944?

In a more integrated world economy and with more global players, the importance of a multilateral framework for economic cooperation has only increased. We cannot do without such a framework. On the contrary, we need to strengthen it! In today's interdependent world there is no room for inward-looking policies and exclusive bilateralism. Political and economic stability can only be secured in concert....

The range of Fund facilities has increased over the years in response to different kinds of external imbalances. The creation of more tailor-made Fund assistance is an example of the continuous adjustment by the Fund itself.

The IMF should target its financial assistance toward two types of imbalances. The first type regards balance of payments crises which primarily result from macro imbalances. The second type of imbalances concerns those countries where balance of payments constraints are also a consequence of deep-rooted structural barriers to growth. In both cases, the IMF's primary focus should be macroeconomic; in the case of countries with structural problems, supply-related actions are involved and adjustment may turn out to be a lengthier process. This creates a need for some flexibility in loan instruments of the IMF and particularly for cooperation with the World Bank....

The Bretton Woods institutions have reached the respectable age of 50. Yet their retirement is far beyond the horizon because their work is still indispensable. Thanks to their mandate and their decision-making structure, the IMF and the World Bank fulfill their missions decisively and effectively. Their proven capacity to adjust and reform does bode well for their future.

New Zealand (Mr. Birch)

While, in our view, individual countries must carry the responsibility for their own economic adjustment, the World Bank and the International Monetary Fund can play an important supporting role.

As these institutions celebrate their fiftieth anniversary, they must continue to encourage and support economic policies that are conducive to growth. They should continue also to facilitate financial and technical assistance programs to encourage macroeconomic stabilization, international competitiveness, growth, and increased opportunities for poorer performing economies.

Looking forward, I would propose that a number of principles must guide the way the Fund and the Bank approach their future work. Each institution has its own specific role to perform, and it is critical to avoid the costs and resource waste that arise from overlapping functions. Equally important...the Fund and the Bank need to avoid entering into work areas beyond their immediate scope of interest. These aims become all the more important as another institution--the World Trade Organization (WTO)--gets set to begin its operations next year.

Criticism has also been leveled at the Fund and the Bank for being too big, too expensive, and too far removed from members' needs. We think both institutions must continually reassess their management structures and cost-control procedures. Further work to streamline operations should continue....

Fifty years ago, a group of visionaries began the delineation of an international approach to promote development and eliminate poverty through open trade and capital markets and through the pursuit of responsible macroeconomic policies.

Building on these early beginnings, there are now a substantial number of countries whose experience with open trade and stable macroeconomic policies demonstrates the success of these early ideas.

Today we have cause to celebrate the real achievements of the last half century. But we must be prepared to acknowledge how much remains to be done. Let us also stand ready, both within our own countries and as members of these international organizations, to take the tough decisions that will be required if that vision is ever to be fully realized.

Norway (Mr. Moland) 4/

Anniversaries are a time for reflections on the past and the future. Fifty years ago the Bretton Woods Conference created the framework for international economic relations in the postwar period. The liberal and market-based framework of the system has gradually contributed to a more efficient allocation of resources by facilitating progress toward current account convertibility and a free flow of goods and services. The underlying growth in the world economy in the period as a whole has been high by historical standards. Although the high growth rate in the early postwar period partly reflected the recovery from the disruptions caused by the Second World War, increased trade has had a decisive influence. Rapid growth of foreign trade, direct investment, and enhanced communications have permitted technology transfers and a steady reduction in the technological gap between the most advanced countries, in particular the United States after the war, and other countries. Furthermore, strong growth in trade has contributed to economic specialization.

An adaptable international monetary system has also contributed to strong growth. Combined, these factors have boosted productivity and led to a virtuous circle where economic growth and trade expansion have been mutually reinforcing....

The members that I represent are in favor of a continuation of the key elements of the Fund's present role and strategy. The instability in exchange markets illustrates the need to increase the effectiveness of Fund surveillance over economic policies in general, including exchange rate policies. In the World Economic Outlook, the Fund might devote even more attention to the interlinkages of economic policies and repercussions from lack of proper actions. It might also strengthen surveillance of interlinkages issues in various regions of the world.

The IMF should maintain its current focus on macroeconomic stability and the macroeconomic effects of structural adjustment. A stable international monetary system presupposes stability in all groups of the member states of the IMF. If this is to be achieved, it is necessary for the IMF to have borrowing facilities that can be adapted to the financial requirements that the member states, fulfilling appropriate conditionality, may have when making adjustments to restore economic balance....

By pursuing a long-term economic policy with an emphasis on macroeconomic stability and well-functioning economies, the foundations will be laid for a stable and robust international monetary system and sustained growth. The IMF has an important role to play in this context in ensuring that efforts are undertaken in a cooperative manner.

Pakistan (Mr. Jafarey)

On behalf of the Government of Pakistan, I would like to assure the managements of the Bank Group and the Fund of Pakistan's continued commitment to the ideals envisaged at Bretton Woods 50 years ago.

Papua New Guinea (Mr. Haiveta)

In our view, the Bank and the Fund remain very important institutions for fostering stability, investment, and development in our region of the world.

Philippines (Mr. De Ocampo)

The world has changed dramatically since that day in July 1944 when representatives of 44 countries, including the Philippines, joined hands at Bretton Woods and established a global framework for economic cooperation, which was born of a shared noble vision that global war would never occur again and that true and lasting peace would be attained in our time. The goals were clear: put the world back on its feet and tackle the causes of global unrest right at their very roots. The specific game plan was to assist in the reconstruction and rehabilitation of countries ravaged by war, provide a catalyst for the development of productive facilities and resources in the less-developed countries, and promote the expansion of global trade and the growth of the world economy through policies supportive of greater international cooperation.

It is a tribute to the vision of those who have come before us and the leadership of these institutions, past and present, that through their responsiveness to the continuing evolution of the international environment, these institutions have played key roles in the reconstruction of postwar

Europe and Japan, the remarkable growth and poverty reduction in East Asia, the increase in food production in South Asia, and the resolution of the debt crisis in Latin America. Ongoing initiatives of these institutions are now in place to mobilize resources for the economic transition in Eastern and Central Europe and the nations of the former Soviet Union, as well as the peace-making process in the West Bank and Gaza Strip....

Indeed, the Bretton Woods twins have traveled far and wide over the past 50 years. But I observe that, rather like men in mid-life crisis, they now are engaged in some degree of introspection, even self-doubt, as they search for pathways to find new meaning in life. For even as they have helped rebuild and develop a vibrant global economy from the ruins of war, the problem of poverty in many lands remains compelling. We are, nevertheless, encouraged by the directions toward which change is presently contemplated and hope that as a new era begins for the Bretton Woods institutions, these changes will allow them to have continuing flexibility in their operations. Particularly, in the design and implementation of adjustment programs, they need to guard against substituting dogma for good sense, resist insisting on the impossible best at the expense of the achievable good, avoid clutching at the comfort of already agreed upon conditionalities in place, and use more rigorous surveillance of the situation in light of dynamic developments--not only in the economy but also in the body politic. In the realm of policy, may I strongly suggest that the dawning of this new era be marked by even more serious consideration of policy suggestions emanating from developing countries themselves, such as those embodied in this year's Communiqué of the Group of Twenty-Four.

Russian Federation (Mr. Shokhin)

The fiftieth anniversary of the Bretton Woods Conference is a good occasion for evaluating the experience of the Bretton Woods institutions over the last 50 years and examining ways to improve them. Let me say at the outset that I do not share the sweeping criticism of the Fund and the Bank that we sometimes hear; nor do I see any reason to propose radical changes in them. On the contrary, I think that the Fund and the Bank play an exceptionally important role in the system of world economic and financial cooperation, helping to improve the system itself and, at the same time, involving more and more countries in the process of international economic and financial integration. This is borne out by the remarkable progress of the 35 or 40 developing countries that made the world's economy grow during the recent recession in the major industrial countries.

Among the most common of the many criticisms made of the Fund are, on the one hand, that it is turning more and more into a financial aid agency and, on the other, that it attaches unnecessarily harsh conditions to such aid. These two criticisms are clearly mutually exclusive; they attack the Fund from directly contradictory positions. I think that, as always, the truth lies somewhere between the two extremes, which means that the Fund's policy is, on the whole, correct.

In reality, the Fund's efforts in countries that are in crisis, struggling with major macroeconomic and structural imbalances, create the loudest echo. They provide the basis for the accusation that the Fund is turning into a financial aid agency. But this very aspect of the Fund's work has received broad international recognition in the last 10-15 years, and I doubt there is another international organization in the world that could compete with the Fund in this crucial role. Each of us can cite a number of examples of new governments which inherited acute financial crises from their predecessors and turned promptly to the Fund because they had no place else to go. As I see it, the main problem here is that the volume of financial aid which the Fund provides is often inadequate to solve the crisis with which the given country is struggling. I therefore welcome the decision made by the Interim Committee to raise the limits of access to Fund resources....

The role of the Fund in the development of international economic and financial integration is exceptionally important. I welcome the fact that more and more countries have been accepting the obligations of Article VIII and abolishing restrictions on the convertibility of their currencies for current transactions. I am certain that this process will continue. At the same time, I would support a proposal to broaden the Fund's mandate in this area to include encouraging members to abolish restrictions on the convertibility of their currencies with respect not only to current transactions, but to capital transactions as well. I think that the Executive Board might soon consider a draft amendment to the Fund's Articles of Agreement for this purpose. A transition to full convertibility would further the integration of financial markets and improve the efficiency of the international investment process.

An important factor in the Fund's ability to continue doing its job effectively will be the strengthening of its relationship with its members, the strengthening of the spirit of cooperation and mutual understanding. It is vital that no member should feel offended by anything the Fund does. For example, it would be logical if such a large group of countries as transition economies was represented in the management of the Bretton Woods institutions.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

CARICOM countries congratulate the International Monetary Fund and the World Bank on their 50 years of valuable contribution--with warts and all--to the management of the world economy and to the development process, as well as on 50 years of institutional growth in response to the changing needs and demands of their membership, which, happily, is now nearly universal.

At this moment of widespread reflection and introspection on the past record and future orientation of the IMF and the Bank, the CARICOM countries find it timely to reiterate the value they attach to being a part of these institutions, which in the past have shown a commendable capacity to adapt and which we earnestly hope will continue to adapt in the future. For we believe that our prospects for growth and development in the Caribbean, like similar countries elsewhere, hinge not only on the soundness of our own domestic policies, but also on an enabling international environment, of which Fund and Bank programs and facilities are of necessity a vital part. Our Caribbean countries look forward, therefore, to a fruitful and dynamic future for an IMF and a World Bank that are increasingly more attuned to the special challenges we face in our development effort....

It is against this background that we in our part of the world look forward to the Bretton Woods institutions continuing to evolve in a manner that increases their sensitivity to the special constraints that confront us. In this, we support the idea of the Fund and the Bank remaining faithful to their original respective mandates, but finding new and more effective ways of fulfilling their missions, and of adapting them to meet the demands that are ever emerging from the changing circumstances of their members....

The experience of our countries also leads us to join with those who call for improved coordination and consultation between the Fund and the Bank. Of course, we acknowledge that there has been progress in this regard in the past. We would like to see the two institutions build further on this progress, and I stress that this is in order to avoid gridlock and immobility in the implementation of projects, not for the purpose of ganging up on any country seeking to benefit from their technical and financial resources.

In the next, immediate round of evolution of Fund and Bank policies and programs, we look forward to the Bretton Woods institutions' continuing to broaden their understanding of the problems of small economies like ours and to improve their response to our needs. It is in this frame of mind that the CARICOM countries shall maintain their fruitful working relationship with the Fund and the Bank in the years ahead.

Spain (Mr. Solbes)

...This meeting coincides with the commemoration of the fiftieth anniversary of the creation of the International Monetary Fund and the World Bank and is being held on the eve of the birth of the WTO, 50 years after a resolution approving its creation was passed by the Bretton Woods Conference.

There can be no question but that the Bretton Woods institutions and the General Agreement on Tariffs and Trade (GATT) have been fundamental pillars of the international cooperation scheme in existence since the post-war period and have made a decisive contribution to economic and social progress over the past 50 years. The world economy has changed substantially since then, of course, and the Bretton Woods institutions have had to adapt--and will continue to have to adapt--to meet the challenges of an increasingly interdependent and globalized international economy....

I would not wish to close without expressing my own and Spain's recognition and support of the efforts being made by Mr. Camdessus and Mr. Preston to ensure that the Bretton Woods institutions are able to respond to the new challenges of the coming years even more effectively than in the past. Whether they can do so depends on all of us.

Switzerland (Mr. Stich)

The fiftieth anniversary provides us with the opportunity to take stock of the work accomplished. In this respect, I would say that the IMF has been successful in achieving its objectives. It has grown into a global institution, which has succeeded in promoting noninflationary growth, liberalizing markets, and eliminating exchange controls. In this way, it has contributed in an essential way to the expansion of world trade and to the growth of economic activity.

In financing adjustment programs of countries facing balance of payment difficulties, the IMF has shown its capacity to adapt its instruments to the changed environment. Its leading role has allowed its financial support to have a catalytic effect. Even if in some cases the Fund-supported programs have not always yielded all the expected results, countries following these programs have been better off than otherwise. This is particularly valid for Africa.

Tonga (Mr. Cocker)

This year is special as it marks the fiftieth anniversary of the Bretton Woods institutions since their inauguration at Bretton Woods, New Hampshire, in July 1944. The Bretton Woods institutions were established with the prime objective to "assist in the reconstruction and development of territories of members and to encourage the development of productive facilities and resources in less developed countries thereby assisting in raising productivity, the standard of living and conditions of labor in their territories." At this threshold we can all marvel at the substantial achievements that these institutions have made in the reconstruction of Europe.

However, the continuous political and economic changes require that the Bretton Woods institutions must also adapt to accommodate the changing demand that emerged as a result of this global evolution. Notable in this change has been the rapid increase in the number of developing countries and of economies in transition becoming members of the two institutions. The admission of these new members means that the original objectives of the Fund and the Bank must be adjusted to match the unique circumstances prevailing in these countries. Indeed, the celebration of the Bretton Woods institutions' fiftieth anniversary provides us with the opportunity to initiate changes that are necessary in order to meet the new challenges emerging from the economies of these new members. Inevitable in this process would be for the Fund and the Bank to be more flexible in their policy guidelines so that they could be adjusted to the different circumstances.

In making these adjustments, however, it is important that the Fund and the Bank not lose sight of their original objectives. For the Fund, it is crucial that it retain its fundamental role of providing macroeconomic stabilization policy guidelines to its developing members....

In conclusion, I wish to pledge the continued support of the Kingdom of Tonga to the two institutions. In facing the challenges that lie ahead and in the preparation for the twenty-first century, we agree with the Bank's own conclusion that the Bretton Woods institutions must observe the following principles: selectivity, partnership, client orientation, result orientation, cost effectiveness, and financial integrity.

Turkey (Mr. Dogan)

On their fiftieth anniversary, the Bretton Woods institutions are continuing to oversee the world's economies. I believe that their role will acquire new dimensions in the years to come in the changing international environment. These two institutions fulfilled their respective roles in the recovery of the world economy in the aftermath of World War II.

The IMF has sought to ensure the stability of world exchange rates and has successfully averted crises. Using the mechanisms which it itself has created, the IMF has been able to address a variety of needs. The most recent example is the STF for the former socialist economies. I believe it is generally recognized that the IMF has provided worthwhile solutions during crisis periods.

...The IMF needs to display greater inventiveness if it is to resolve the problems facing the international monetary system. This is because substantial changes have occurred in the world over the last 50 years. World markets are sensitive to political decisions, which they assess rapidly. In particular, foreign exchange flows in the seven major industrial countries have important consequences. The IMF will have major contributions to make in this regard. The Fund has resources conducive to achieving solutions capable of ensuring stability on world markets. The mobilization of these resources will enhance the IMF's moderating influence in a changing world....

However, the IMF and the World Bank must adapt to changing world conditions. Today, the environment has become a fundamental issue where development is concerned. Human resource development, emigration, the environment, health, and education have become priority issues. The economic and social role of the state has been called into question. It is essential to create an environment conducive to promoting the development of private enterprise....

...I am convinced that solidarity and cooperation among countries will be strengthened through the contribution of the IMF and the World Bank. Further global progress can be expected as a result. As in the past and in the present, the historic mission of the IMF and the World Bank will continue to grow in the future.

Ukraine (Mr. Mitiukov)

The recent addition of several new members, including Ukraine, has turned the Bretton Woods institutions into truly global organizations. This is the best fiftieth anniversary gift one could imagine...

Over these last 50 years our institutions have played a central role in shaping the contours of the emerging world economic order. There is much to be praised in the activities of these organizations, and it is vital that they be continued.

With the recent dramatic changes in the world economy--such as the ever-expanding integration of trade and financial flows, the substantial progress in the development of many countries, and most recently, the start of the transition to the market by former centrally planned economies--it has become necessary to modify the principles and modes of operation of our institutions. In 1944, we were fortunate to have a group of leaders with the global vision to see the importance of establishing new institutions, the Bretton Woods organizations. Today, it will require not only vision, but also diplomacy, ingenuity, patience, and devotion to ensure that these institutions adapt to the new realities of today's world....

Let me now turn to several important issues on the future role of the IMF and the World Bank. First, I am convinced that the fundamental role of the IMF and the World Bank should be, as it has been in the past 50 years, to promote the conditions necessary for sustained economic growth....

The Fund should forcefully continue its dual role of ensuring through its programs financial activity in all countries and of ensuring catalytic mobilization of multilateral and bilateral financing. This financing under programs is the first keystone step in constructing the sequence that gives successful stabilization, then structural adjustment, then a favorable climate for private investors that brings in new capital and, finally, sustained growth. This sequence applies to all of us--industrial, developing, and transition countries....

...Let me express Ukraine's confidence that in the next 50 years to come, the International Monetary Fund and the World Bank Group will effectively accommodate new economic realities into their policies and become even more effective renewed institutions dealing with new global challenges.

United Kingdom (Mr. Clarke)

This year marks the fiftieth anniversary of the Bretton Woods Conference that established the IMF and the World Bank. These institutions have responded admirably to dramatic changes over the years: the breakdown of the Bretton Woods exchange rate system, the Third World debt crisis, and increased understanding of the development process including environmental issues.

The challenges that these institutions face today are just as great. We have to clear up the mess that communism left behind. We must respond to the effects of the massive growth and integration of the world's capital markets. We must build on the widespread recognition that economic success depends on a combination of market-oriented structural and macroeconomic policies. And we must step up the fight against poverty.

United States (Mr. Bentsen)

When the Bretton Woods institutions were organized half a century ago, the job was to rebuild a ravaged Europe and ensure order in the global economy. The challenges were clear and precise. It was the tallest economic order in modern times. The institutions did the job and did it well.

Half a century ago, we were concerned with just under a quarter of the world's economy. Today, the developing world and the nations in transition account for nearly half the global economy. The price of failure is just as high, if not higher than it was at the beginning. But likewise, the benefits of success have never been higher. The challenge is development and transition, to broaden prosperity in every nation, and to create jobs in the industrial world. This must be a continuing process. The job evolves over time. We must often stop and look at where we are, and where we are going....

...While the Bank and IMF met the challenges of their first half century, now it is time to change.

One of the most pressing needs is to deal with the issue of economies in transition--from Central Europe to Russia and Ukraine. And the challenge is for the IMF to maximize the economic reform it can support....

The global economic architecture does not need to be rebuilt, but after 50 years it is time for a renovation....We must explore innovative ways to more effectively mobilize the existing resources of the international financial institutions. We must find additional ways to respond to the special needs of countries making their way out of economic and political disruption--such as South Africa and the Middle East--as well as the needs of the poorest and most indebted countries....

After World War I, the world did not consider the changes that brought the conflict, and in so doing brought us to World War II. It took Bretton Woods and the Marshall Plan to put the world back on its feet, and the result was a half century of increasing growth and prosperity.

In Naples, we recognized the responsibility that the global economic leadership has to the economy of the next century. The heads of state agreed that the international economic architecture that will affect so much of the post-Cold War economy must be reviewed. The process has begun. The result must be one that advances the shared goal of growth, increasing and broader prosperity, and jobs.

There is far too much at stake here for every nation--developed and developing--to let these issues lie unattended.

Viet Nam (Mr. Cao Sy Kiem)

On the fiftieth anniversary of the Bretton Woods institutions, we would like to express our admiration for the remarkable contributions made by the managements and the staffs of the International Monetary Fund and the World Bank over the past five decades.

Since coming into being 50 years ago, the International Monetary Fund and the World Bank have continuously grown; the present membership of nearly 180 countries represents a fourfold increase in half a century. From its initial responsibility to help manage the international monetary system, the Fund has moved to embrace commitments to market stability, growth, and structural reform. Now it has embarked upon an important mission of assisting many countries in their transition to market-oriented economies....

Allow me to recall with great enthusiasm the Fund Managing Director's recent statement: "We are now in a universe of globalization where a central role for cooperation and convergence toward stability and prosperity has become more necessary than ever." In this spirit, may we join with all the honorable representatives here to work diligently toward building a new and strong partnership--a partnership for progress in building universal stability and prosperity.

2. International Monetary System (including European Monetary System)

Belgium (Mr. Maystadt)

I will turn now to the role of the Fund in exchange rate stabilization. Exactly 20 years ago, the Committee of the Board of Governors on the Reform of the International Monetary System, known as the Committee of Twenty, submitted its reform proposal, whose second part served as the basis for the provisions in the Articles that underpin the existing exchange system. Its authors considered this second part to be but an "immediate step," a prelude to a bolder and sounder reform. Could not this twentieth anniversary, though certainly not as prestigious as the one we are celebrating this week, serve as a fitting occasion to ask ourselves how much longer will we continue to live in the "immediate," or, as a privileged observer described at the time, in "a world run by events rather than by constitutions"?

I am perfectly aware of the huge resistance to be overcome, and I understand the legitimate reticence in the face of the huge amounts the market could mobilize to test the solidity of any exchange arrangement. But could we not at least envisage moving from the "immediate" to the "intermediate" through a gradual strengthening of the methods of cooperation we have set up over the years? Such an approach should include at least four stages:

- First, pursuit of a durable convergence based on a growth strategy adopted by common agreement--that is, the strategy defined by the Interim Committee in April 1993 and again on Sunday;

- Then, more explicit consideration of policies susceptible of influencing capital movements by broadening the IMF's power of surveillance to cover all external accounts--this, too, is a process begun by Fund staff with the general agreement of its members;

- Third, an agreement among major countries on the desirable direction their exchange rates should take--a commitment to target zones seems overly ambitious today, but it should be possible to reach agreement on the desirable direction on the basis of an objective review of the first two stages; and

- Last, the possibility for the IMF to hold multilateral consultations to counter the risk of slippages through corrective measures--this, too, would not be extraordinary, as we have just given the Fund a mandate to organize a systematic follow-up of the implementation of the declaration adopted on Sunday.

The conditions for implementing this approach seem reasonable to me, as each of the major countries is completing a profound internal adjustment; postponing it would expose us to the risk that the benefits we now receive from this adjustment would be compromised by the resurgence of fundamental exchange rate distortions. Indeed, we have every interest in protecting ourselves from the risk that exchange rate manipulation may become a protectionist weapon. It would be paradoxical indeed if those same countries that proclaim the universal merits of market mechanisms should fail to acknowledge the need to promote exchange market price ratios that are consistent with a good allocation of resources....

A last observation on the global redistribution of economic responsibilities to which the Fund's Managing Director referred yesterday: In today's world, the cards have not been dealt definitively; they are constantly being exchanged, sometimes in unexpected ways. What are the implications of this for the working of our institutions?

- First, rules of the game that are acknowledged and accepted by everyone, which entails a more consistent international monetary system;

- Second, decision-making mechanisms in which all can participate to the extent of the responsibilities they assume in the global economy; and

- Third, instruments allowing the rapid mobilization of financial resources needed to meet the exceptional needs which countries may face in markets of global scale.

Fiji (Mr. Vuniobobo)

Volatility in exchange rates is another destabilizing factor, and this is at the core of the current discussion on the Fund's role and the evolution of the international monetary system. On the latter, we are still not convinced of the feasibility of instituting another pegged exchange rate system.

Germany (Mr. Waigel) 1/

The experience that we have had in Europe confirms that stable exchange rates cannot be mandated but require, as a prior condition, consistent and credible economic policies on the domestic front. We have acknowledged in the Maastricht Treaty that there is no easy monetary way out of the member states' economic and financial problems; there is a ban on financing of the public sector through money creation by the central bank or through privileged access to other financial institutions.

Within the exchange rate mechanism of the European Monetary System, the broad stabilization of exchange rates has been maintained. Shifts in the U.S. dollar exchange rate gave rise to no disturbance within the exchange rate mechanism, in contrast to what happened in earlier years. Most of the currencies formerly respecting narrow margins are again quoted close to their central rates, which have not changed.

The member states of the EU are resolved, through policies directed to stability adopted on their own responsibility, to meet the criteria relating to convergence that are laid down by the Treaty on EU for entry into the final stage of economic and monetary union. The EU underpins the national efforts with pressure for adjustment generated within the Community in the course of its comprehensive surveillance of economic, monetary, and budgetary policies.

The procedures agreed upon in the Maastricht Treaty to foster convergence must, in the present second stage of economic and monetary union, be given an effective form such as will impart new momentum to the noninflationary convergence of policies and economic fundamentals in the member states. In particular, during the second half of 1994, the new excessive deficit procedure will come to the fore. It lies at the heart of the convergence process, which is important in itself but which is also crucial for the preparations for the final stage of economic and monetary union.

The worldwide recovery that has now set in, and the ongoing gradual reduction of the differences between the cyclical positions of the industrial countries are creating conditions that bode well for more stable exchange rates between the main currencies and for greater stability in the international financial and foreign exchange markets.

Germany (Mr. Tietmeyer)

...On future international cooperation--its scope and limitations--it is essential to bear in mind that it takes place in a setting of largely liberalized and integrated markets.

Whether we like it or not, this setting is working as a constraint on national policy in two respects. For one, any departure from anti-inflationary policy, as well as losses of credibility, is punished today more rapidly and more harshly than in the past. At the same time, markets tend to react with increasing volatility to major divergencies in both financial policies and actual developments among countries. Such market reactions, as demonstrated not least by our German experience, often affect negatively even those countries pursuing sound economic policies. This situation is unlikely to change in the future. All attempts to turn back the tide of liberalization are doomed to fail.

Hence, there is only one promising approach: on the national level, persistent efforts at strengthening the conditions for growth and employment on the basis of credible and stringent noninflationary financial policies; and on the international scale, as much policy cooperation as possible, although with strict adherence to the precept of stability. As experience shows, nonobservance of this precept is counterproductive as it encourages the misallocation of scarce resources, undermines monetary stability, curbs governments' room for maneuver, and thus, ultimately, endangers the social and political stability of our societies.

Islamic Republic of Iran (Mr. Mohammad-Khan)

...The institution must strengthen its efforts toward the creation of a more stable international exchange rate system.

Kuwait (Mr. Al-Sabah) 3/

The Fund should consider what can be done to enhance its surveillance role concerning industrial countries.

...The great expansion in the volume of transactions in the international financial markets and currency markets, accompanied by more diversity in transactions and instruments, require a high degree of regulatory expertise. It also requires that the Fund give particular attention to monitoring developments in the financial and exchange markets and enhance its "early warning" capability.

Malaysia (Mr. Anwar)

We are relieved with the economic recovery in the industrial countries. However, we must be wary of the instabilities inherent in the global economic system which continue to threaten the durability of the industrial countries' economic recovery. Foremost among them are unemployment and the continuing instability in the financial and exchange markets. The burden imposed by instability in exchange rates, especially with respect to their external debt management, is enormous. Some of the so-called soft loans have turned out to be very "hard" once the impact of the exchange rate appreciation is factored in. In this regard, developing countries find it difficult to accept the practice of certain developed countries getting together to determine exchange rates, without the consideration of their effects on others.

A free movement of capital across national borders, both by direct business investments and by purchases and sales of financial assets, is certainly beneficial and helps facilitate the financing of productive ventures. Unfortunately, the capital flows needed to achieve an efficient allocation of world savings are today a small fraction of worldwide transactions in the currency markets, which are estimated to run at $1 trillion a day. The bulk of these transactions are speculative, seeking to make quick money on exchange rate fluctuations and on interest rate differentials. They contribute little to rational long-term investments. Reform of the international monetary system has become a necessity to restore stability in financial and currency markets.

Norway (Mr. Moland) 4/

At this meeting it would be appropriate to devote particular attention to the international monetary system, by which I mean the institutions and policies that influence the flow of trade and capital across national boundaries, especially those that affect exchange rates. Notwithstanding the demise of the Bretton Woods fixed exchange rate system in the early 1970s, it can be said that the IMF and the international monetary system have functioned well in the face of significant changes in economic conditions such as the oil price shocks in the 1970s, the debt crisis in developing countries in the 1980s, the collapse of centrally planned economies in the early 1990s, and periods of wide differences in cyclical trends in the major industrial countries. The system, represented particularly by the IMF, has also managed to help the countries in transition to become more integrated into the world economy and to adjust to the requirements of international capital markets.

The principal disadvantages of the system are the problems associated with large and protracted misalignments among the major currencies, as we have experienced on several occasions over the past 20 years. As a result, economic agents in tradable sectors have faced uncertainty that may have led to inefficient allocation of investment, lower trade, and slower economic growth. Instability and misalignments may also have contributed to unwanted regionalization of world trade and may reinforce bilateral trade agreements and trade restrictions and lead to capital controls....

More stable monetary and exchange rate conditions are thus in the interest of all countries. Unfortunately, there is no easy way to achieve it. The key to more stable exchange rates lies in improvements in national economic policymaking underpinned by international cooperation. This is a challenge the Fund has to address in close cooperation with its members. The Fund has an important role to play, ensuring that the international perspective is taken into account in the formulation of economic policies in the member countries.

Pakistan (Mr. Jafarey)

The growing openness and integration of the world economy, including the globalization of private capital markets, create new opportunities for the world but also challenges for the Fund as the institution responsible for the oversight of the international monetary system. The persistence of large swings in real exchange rates for key currencies, large current account imbalances, sizable fiscal deficits, and long-standing structural rigidities are a reminder that the world economy is still some distance from achieving orderly underlying economic and financial conditions and a stable system of exchange rates.

Russian Federation (Mr. Shokhin)

...A third area of the Fund's work, relating to the shaping and operation of the international system of exchange rates, has been at the very center of discussion in the last few years. As it turns out, the Bretton Woods institutions have outlived the Bretton Woods system of fixed exchange rates. It appears to me that there is little reason to doubt the effectiveness of the floating exchange rate system that has developed over the last twenty years. But this by no means signifies that the Fund should stop playing its role in this area, or that its role as a monetary institution is gone forever. This is attested to by the developments of the last few years on the world's foreign exchange markets.

Solomon Islands (Mr. Nori) 6/

All of our fortunes are interlinked in the global economy. As small developing island states, we rely on, and indeed expect, that our larger industrial neighbors will create the proverbial level playing field so that we are able to take advantage of growth in world trade in a fair and unrestricted manner....As small island economies, we rely on and expect that our larger industrial neighbors should see the need to create conditions that will allow us to achieve those goals and to survive in what has now become a very competitive world.

United States (Mr. Bentsen)

...The growing integration of our capital markets, the rise of newly freed markets in emerging economies, and the evolution of markets in mature economies offer the prospect of greater efficiency in mobilizing savings and investment.

This growing economic and financial integration means that the actions of one nation or region, or events in one nation or region, are increasingly likely to affect the economic health of a neighbor or a neighboring region--or the world as a whole for that matter.

3. Industrial Country Policy Mix and Coordination; Fund Surveillance; Cooperative Medium-Term Growth Strategy of Industrial Countries

Australia (Mr. Willis)

...There is increasing recognition that sustained economic growth requires early action to address inflation which, if allowed to develop, would sooner or later bring the recovery to an end. A number of countries which are well into the recovery phase, including Australia, have moved to tighten monetary policy before inflation begins to increase. Such action has a medium-term focus--aiming to ensure that inflation is kept under control later in the recovery phase when it would otherwise be expected to become a problem.

Similarly, a number of governments have recognized the need to reduce their budget deficits and to set out a fiscal consolidation strategy which demonstrates their commitment to progressive deficit reduction....

It is also encouraging that there is widespread recognition of the need to strengthen the international monetary system by improving economic policies, enhancing policy cooperation, and achieving greater convergence of economic performance. In this regard, I welcome the call by the Interim Committee for the Fund to strengthen its surveillance activity.

Austria (Mr. Lacina)

The world economy has become both more integrated and more vulnerable; individual and sometimes even collective policy action has become less effective, in particular with respect to currency intervention. Finally, after two decades of slower growth, most member countries suffer persistent and partly alarmingly high unemployment as well as severe fiscal imbalances. The loss of exchange rate discipline has certainly been one of the contributing factors to this state of affairs....

In order to make exchange rates more stable and better aligned, Austria supports the idea of strengthening the surveillance process, thus achieving macroeconomic cooperation and greater convergence of policies and performance. It is also obvious that such cooperation will only succeed if countries with basically sound performance are protected from disruptive currency movements.

Canada (Mr. Peters)

...The industrial world still faces two paramount challenges: achieving sustained growth and reducing unemployment. With the resumption of economic growth, the enduring problem of high rates of unemployment in most of our countries needs to be addressed at both the macro- and microeconomic levels through education, training, and other appropriate structural policies, as well as appropriate fiscal, monetary, and exchange rate policies.

A central macroeconomic priority in nearly all industrial countries is to take advantage of the recovery to make substantial progress toward restoring fiscal balance. Most of us did not adequately exploit the strong growth that was experienced in the 1980s to put public finances on a solid footing. Indeed, in many industrial countries, structural deficits widened substantially in the late 1980s. Because governments avoided taking steps to rein in deficits when times were good, many of our countries went into the recent recession with little or no latitude to respond to worsening economic conditions with fiscal stimulus.

We should not repeat this mistake. A successful effort to cut deficits would help boost investment and potential growth over the longer term. It would also provide policymakers with greater freedom to respond to any future recession, a freedom that many of us lack at present.

At the same time, we have to learn to do more with less; to spend smarter. Governments will have to focus their spending on priority activities and adapt their programs and policies more quickly to meet new requirements. This is particularly true for policies that encourage labor force development and employment.

Monetary policy is another area where we can learn from experience. In most industrial countries, monetary policy continues to have an important role to play in supporting growth. In the past, protracted periods of monetary tightness have had severe adverse effects on the fiscal deficit. The coordination of monetary and fiscal policy can improve economic performance when the two have consistent goals of continuing growth and prosperity.

I would also suggest that much of the financial market turbulence we have witnessed in the last several months reflects market uncertainty about the alignment of fiscal and monetary policies in major industrial countries. Moreover, the market may remain unsettled while participants become more certain of the determination of fiscal and monetary authorities to pursue appropriate policies.

Fiji (Mr. Vuniobobo)

...We believe that the Fund should strengthen its exchange rate surveillance of the major currencies under the existing flexible arrangement. Through consultations, dialogues, and information sharing, the Fund should pick up the early warning signs of currency misalignments and initiate the necessary corrective action. We agree with the Managing Director that the Interim Committee can be the principal forum for exchange rate surveillance and closer coordination of economic policies.

France (Mr. Alphandéry)

Growth has returned to the world economy. Recovery is vigorous in both developing and industrial countries. However, growth will only be sustainable if we continue to pursue rigorous monetary and fiscal policies.

The tensions we have witnessed on international bond markets over the past few months are proof that we must pursue our efforts vigorously. Public deficits absorb too large a share of our economic resources. It is essential that each one of our countries take advantage of the recovery to reduce them. This will help to provide the basis for lower long-term interest rates....

A further conclusion we can draw from these interest rate tensions is that the IMF, as well as each one of our countries, should better explain the international economic situation and start by making our own economic policies more comprehensible and more credible. This approach should contribute to a reduction in uncertainties that affect household, corporate, and financial market players' decisions. Such an approach would also limit market volatility. The Interim Committee's communiqué is a step in this direction....We cannot content ourselves with the wise advice that each country should keep its own house in order. I am convinced that greater vigilance on exchange rate developments would strengthen our credibility, and therefore, our collective success.

The key to greater stability, and therefore greater discipline, might be sought in the quest for clearer "signposts" to the future by the authorities of major countries, thanks to a flexible but consistent "routine" of multilateral examinations of countries' economic situations and policies. The IMF should actively participate in this endeavor.

Germany (Mr. Waigel) 1/

...The IMF is the indispensable forum for monetary cooperation, including surveillance among the industrial countries. The participation of the Managing Director in G-7 surveillance is an important element that will also help to bring the problems and the views of the other members of the IMF generally into the G-7 process....

...The renewed worldwide rise of long-term interest rates underlines the importance of credible financial policies. Further consolidation of public finances in all industrial countries will be a central element, in order to bring the state's absorption of savings back down and thus at the same time to release savings for private investment.

The persistently high level of unemployment remains the biggest political, economic, and social problem. The issues raised by this problem were thoroughly discussed by the EU in Corfu. We were unanimously of the view--despite the ever more evident cyclical recovery in Europe--that we should reinforce our efforts to promote growth and employment. In that connection, we reached agreement on the following three central "characteristics for the economic policy" of the EU countries:

- We hold firm to the stability-oriented policy, and we are striving to make further progress on price stability.

- We will push ahead with efforts for the further consolidation of government budgets as provided in the national convergence programs and, in addition and where necessary, will reinforce them.

- We are to improve further the flexibility of our economies--particularly in labor markets--and their competitiveness. This includes pressing ahead with reforms in member states to improve the efficiency of labor markets, privatization, the construction of trans-European networks for transportation, energy, and telecommunications, and further action to ensure the full effectiveness of the European internal market.

Germany (Mr. Tietmeyer)

Given the rising global need for investment and the low level of net capital exports by the countries of the Organization for Economic Cooperation and Development (OECD), a sustained strengthening of domestic savings is a prerequisite for lasting and noninflationary growth in our economies, particularly in countries with high current account deficits.

The low--and still falling--global saving ratios are a disturbing signal, giving grounds for reflecting on their causes and longer-term consequences. We feel that a determined correction of the worrying trend of public finance in many countries is of utmost importance. The crowding out effect of high and, in some cases, still rising budget deficits curbs the potential for private investment, which is crucial to real growth, and is undoubtedly one of the principal factors responsible for the worldwide increase in long-term interest rates.

Thus, apart from the unswerving adherence to a monetary policy strategy geared to stability, one of the main messages emerging from this year's meetings in Madrid should be the need to focus our efforts over the next few years on a lasting reduction of the structural component of public sector deficits. Only by redressing the public sector's excessive demand for capital can the financial conditions for private investment be lastingly improved, thus providing prospects for higher levels of employment....

We basically welcome all realistic efforts within the Fund at strengthening monetary cooperation. However, there are limits to such efforts where they would be inconsistent with a strict and persistent noninflationary policy orientation. This applies in particular to proposals to introduce "formalized" exchange rate arrangements for the world's major currencies. The different structures and traditions in a multipolar world cannot be smoothed out simply by pegging or targeting exchange rates.

Guinea (Mr. Camara) 2/

Industrial countries must take the lead in maintaining a strong commitment to the process of adjustment in their countries, coordinating medium-term fiscal consolidation efforts, providing unqualified support to free trade in the spirit of the Uruguay Round agreement, creating flexible labor markets, and facilitating resource flows to developing countries.

India (Mr. Singh)

As far as supervision and surveillance are concerned, events have evolved very differently from what the founding fathers had envisaged. The shift to floating exchange rates in the mid-1970s made coordination of macroeconomic policy of industrial countries' policies more, rather than less, important. But the fact is that we have not devised a satisfactory system of multilateral coordination of macropolicies. This role is performed not in the Fund, but in groupings of major industrial countries, such as G-7 or in even smaller groups. We recognize of course that macroeconomic coordination is not a simple matter as it involves reconciliation of sovereign interests. Nonetheless, global interdependence requires that such coordination should take place as part of a truly multilateral process. The IMF is the logical forum for such coordination.

Indonesia (Mr. Afiff)

...Surveillance and conditionalities are imposed much more upon borrowing developing countries, as the industrial countries are not borrowers. Moreover, norms are set by the major industrial countries, even though such practice is in clear contradiction to the widely acclaimed merits of democracy.

Islamic Republic of Iran (Mr. Mohammad-Khan)

...The surveillance role of the Fund needs to be performed symmetrically with respect to the industrial as well as the developing countries.

Israel (Mr. Frenkel)

Lack of convergence of macroeconomic domestic policies among industrial countries threatens the stability of our exchange system. Exchange rate stability between "anchor economies" calls for the strengthening of the surveillance role of the IMF.

Large structural fiscal deficits represent fertile ground for renewed inflationary pressures in many industrial countries, leaving less room for growth-directed policies and for durable solutions through structural policies to the still very acute problem of unemployment. Indeed, there is still a great need for the IMF to persevere in its ongoing surveillance efforts and to find a global solution to those problems.

Italy (Mr. Dini)

In a year in which the recovery is clearly spreading from the U.S. to the rest of the industrial world--marking the success of the growth strategy that was spelled out in the Interim Committee meeting of April 1993--we must make sure that our policies will lead to high and sustainable growth in the medium term and to the complete, though necessarily gradual, elimination of the plague of unemployment. Growth in the industrial countries is beneficial not only to us but to the whole world; neither the very good performance of many developing countries in the last few years nor the process of transformation in the East can be sustained for long without high growth in the industrial area. In this regard, I would like to identify four key issues.

The first one relates to interest rates. In the course of 1994, we have seen a sharp increase in long-term yields. While several factors have certainly contributed to this development, the basic explanation is that the fundamental imbalances that developed in the 1980s have not been resolved and may be aggravated by the growing demand for capital in the face of unchanged or even declining saving rates. Both private and public saving declined during the 1980s almost everywhere. Economic policy must act on both fronts: to eliminate the distortions that discourage private saving and to reduce public sector deficits. In many countries, interest payments on the outstanding stock of government debt have become a major component of the total deficit. The gross public debt of the industrial countries has risen in the last 15 years from 40 percent to almost 70 percent of GDP. The financial markets are well aware of this development: they wonder what will happen in the next 10 or 15 years and price long-term assets accordingly. I contend that the primary, and most difficult, task of economic policy is to persuade markets that 15 years hence government debt ratios will be much closer to their level of 15 years ago than to their level today. Medium-term deficit reduction strategies have been defined by most countries: with the recovery, the time has come for action. We are all well aware of the great social and political difficulties involved, but I trust that we can convince our peoples that the cost of inaction would very soon prove prohibitive, in terms of real growth and jobs.

High interest rates are also due to financial markets not being entirely persuaded that inflationary pressures are definitely under control. Inflation in the industrial countries is low by historical standards. However, past experience shows that with recovery, prices may quickly pick up again. The risk of hitting capacity constraints is greater today than in past recoveries because of the very low rate of capital accumulation of the last three years. The best way to avoid this risk is to reduce government consumption, but continuing wage moderation and vigilant monetary policies are also essential.

Another key area of concern is the lack of flexibility of our economies, especially as regards labor. In the last two decades, especially in Europe, governments have chosen to give job security priority over efficiency. But, as the Detroit conference on jobs demonstrated, the jobless rate tends to be higher in the countries and regions where the regulatory environment is apparently most protective of individuals' security. Creating the conditions in which the labor market may function better is essential if we are to reduce unemployment and reap the full benefits of the ongoing recovery.

Japan (Mr. Mieno)

I would like to begin today by looking first at the state of the world economy, which is generally on the path to recovery and achieving steady growth overall. It is especially encouraging that the momentum of recovery is growing stronger in the industrial countries. In my view, this is because all countries have been mindful of the proper medium-term strategies for noninflationary and sustained growth and have worked to implement the appropriate macroeconomic policies.

In order to maintain this recovery momentum, industrial countries are expected to continue to implement appropriate policies, paying due regard to exchange and financial market conditions. It must be noted that the recent volatility and instability in exchange markets have seriously affected efforts toward attaining economic stability. Given that today's markets are highly influenced by the expectations of various market participants, it is imperative that all countries carry out policies that enhance market credibility and that the leading countries work to stabilize exchange markets through policy cooperation and close cooperation in the exchange markets. Especially important in the medium-term context is the need for the industrial countries to reduce their sharply increased fiscal deficits and to shrink their structural unemployment....

The Fund exercises surveillance of, and provides policy advice to, national economies through its World Economic Outlook exercises and consultations. The Fund also takes part in the G-7 policy cooperation process.

The current surveillance procedures make it easier for policymakers to exchange views frankly in a climate of mutual trust, thus building a shared understanding of the actual economic conditions and policy directions in the different countries and facilitating efforts to pursue consistent policies. I thus hope that the Fund, while maintaining its hard-won mutual trust with members, will continue to provide objective policy recommendations and promote the policy discipline needed for noninflationary and sustained growth.

Korea (Mr. Kim)

I would like to urge the governments of major industrial countries to exert continuing efforts to improve macroeconomic fundamentals and strengthen policy coordination for better convergence of the fundamentals. Moreover, the Fund's surveillance over the macroeconomic policies of the major industrial economies should be reinforced. To this end, the Interim Committee should be empowered to enable it to conduct substantial discussions and make recommendations on the major issues affecting the international monetary regime and the world economy. Also, the Fund could seek ways to enhance the effectiveness of policy dialogue with major industrial countries through Article IV consultations or other mechanisms.

This will help the Fund identify possible causes of excessive exchange rate misalignments and volatility before they occur. In this respect, I would like to suggest that new arrangements be introduced to enable developing countries with relatively large shares in global trade to participate in discussions on international monetary affairs.

Kuwait (Mr. Al-Sabah) 3/

As we feel encouraged by the signs of firming up of economic recovery in most industrial countries, we would like to stress the paramount importance that these countries use efficiently the opportunities created by the recovery. Using the recovery wisely requires that these countries concentrate on correction of structural fiscal deficits in order to create favorable conditions for a reduction in long-term interest rates, and to allow fiscal policies greater flexibility than that available during the last recession.

In this connection, we underline the importance of focusing the fiscal adjustment efforts of industrial countries on the reduction of public expenditure, as the burden of direct and indirect taxes in most of these countries is already high, and as the reduction of public expenditure in certain areas, such as subsidies to the industrial and agricultural sectors, would have a positive impact on world trade.

We would like also to emphasize the importance of industrial countries giving particular attention to structural reforms in the labor markets, with a view to dealing fundamentally with the problem of unemployment, and in order to avoid the consequent loss in production and the political pressures to take protectionist measures....

Concerning the international monetary system, it is important that the major industrial countries do all they can to ensure exchange rate stability. It should also be helpful if they would show more willingness to adopt policies recommended by the Fund in the context of its surveillance function, and accept its direct participation in their policy coordination efforts on a more systematic basis.

Lao People's Democratic Republic (Mr. Souphanouvong)

Macroeconomic stability depends not only on economic reform, but is also a function of the external environment, such as a favorable world economic climate, external financial support, and the expansion of external trade. We therefore call on industrial countries to provide flexible policy on trade toward developing countries and to continue to increase their financial support.

Malaysia (Mr. Anwar)

...Developing countries find it difficult to accept the practice of certain developed countries getting together to determine exchange rates, without the consideration of their effects on others.

Malta (Mr. Dalli)

The Fund's role in promoting international cooperation and stable exchange markets should be strengthened, possibly by enhancing its powers to coordinate the macroeconomic policies of the major industrial countries.

Netherlands (Mr. Zalm)

One of the core tasks of the IMF continues to be the surveillance of exchange rate and macroeconomic policy in all member states. The guiding principles remain international monetary stability, the unhampered expansion of trade and capital flows, and sustainable growth.

The value of surveillance has increased in today's globalized economy with flexible exchange rates. Because markets are integrated and agents act globally, we need strong and independent international institutions. Flexible exchange rates do not absolve countries of the responsibility to avoid negative spillover effects. Surveillance through peer pressure reminds policymakers of this rule and helps them to think ahead.

In the context of surveillance, more attention could be paid to the links between exchange rate developments, underlying macroeconomic policy stances, and deficiencies in the structure of the economy. We cannot ignore these issues. The Netherlands' experience is that the exchange rate, used as a guidepost, supports sustainable policies. Its warnings are neglected at one's peril. This is true for open economies, and all economies including the largest ones have become so.

Norway (Mr. Moland) 4/

Fluctuations in exchange rates between the major currencies present, in particular, challenges for smaller countries, involving frequent changes in the competitive environment for their relatively large external sectors. At the same time, these fluctuations have probably had a relatively small impact on the economies of the three major industrial countries since international trade plays a lesser part in their case. It is therefore natural for these countries to adapt monetary policies to domestic economic conditions consistent with price stability. All countries stand to benefit if the major industrial countries are able to achieve noninflationary growth. However, the policy mix chosen to achieve macroeconomic stability is also important to their trading partners and the world economy. One reason for the increased instability in exchange rates is that monetary policy has been overburdened owing to the structural fiscal deficit. Fiscal consolidation would make it possible to achieve domestic policy objectives with a policy mix that is less conducive to fluctuations in exchange rates. It would at the same time lay the foundation for higher saving, lower real interest rates, higher private investment, and higher growth in the countries that are consolidating their fiscal situation....

The Fund could, through strengthened surveillance, contribute to more adequate policy formulation and convergence of economic performance in order to achieve sustained stability in exchange markets. In order to achieve this, it is important to enhance the effectiveness and influence of Fund surveillance. This, however, is dependent both on the quality of Fund analysis and advice and on the willingness of the large countries to let the Fund play such a role as well as on the political will among members to cooperate. The political will could to some extent be enhanced if strengthened surveillance turns out to provide beneficial results to member countries....

The members that I represent are in favor of a continuation of the key elements of the Fund's present role and strategy. The instability in exchange markets illustrates the need to increase the effectiveness of Fund surveillance over economic policies in general, including exchange rate policies. In the World Economic Outlook, the Fund might devote even more attention to the interlinkages of economic policies and repercussions from lack of proper actions. It might also strengthen surveillance of interlinkages issues in various regions of the world.

Philippines (Mr. De Ocampo)

It is a pleasure to hold this year's meetings when economic recovery in the industrial countries is well under way. We are hopeful that this upturn will be a durable one, characterized by low inflation and high employment. We are confident that the Bretton Woods institutions will be active and effective in providing advice to ensure that this upturn will be managed through a balanced policy mix consistent with stable macroeconomic conditions and sound structural reforms that will enhance longer-term growth.

Russian Federation (Mr. Shokhin)

Excessive exchange rate fluctuations, especially of the major reserve currencies, have been a subject of growing concern to the world economic and financial community. These fluctuations clearly have an adverse effect on world trade and do little for investor confidence. Since 1987, the G-7 countries have been consulting with each other for purposes of achieving better coordination of their economic and financial policies and greater stability in the exchange markets. We must admit, however, that these consultations lack an institutional basis and amount, basically, to emergency reactions to unfounded fluctuations in the exchange rates of the major reserve currencies. As a rule, the only result of these emergency efforts is coordinated intervention by the G-7 central banks, intervention which is becoming ever less effective as the world's financial markets expand and develop. It is apparent that better financial policy coordination among the main reserve-currency countries as well as a special mechanism for bringing it about will be needed if exchange market stability is to improve.

A proposal to establish fluctuation bands for the major reserve currencies and to shift to a system of "more fixed" exchange rates has been gaining in popularity recently. As I see it, despite the obvious attractiveness of the idea of creating a more stable exchange rate system, the practical realization of such a proposal will not be feasible for a long time to come. The chain of events that will be needed is as follows: a deepening of international economic and financial integration, growing awareness of the need for far-reaching coordination of economic and financial policies, formation of an institutional basis for such coordination and creation of the relevant mechanisms, and, only then, establishment of fluctuation bands for exchange rates. I doubt that this idea, if applied prematurely, would have much chance for success, as evidenced by last year's crisis in the European Exchange Rate System. Still, with the progress in international coordination of economic and financial policies, a transition to a more centralized system for regulating exchange rate movements may become both feasible and justified.

At present, the Fund's role in coordinating the financial policies of the industrial countries is limited, in effect, to its Article IV consultations with them, including with the G-7 countries. I think that the Fund's role in the coordination process will gradually grow, because the industrial countries' interest in having the Fund participate will grow. In this regard, the recommendations in the report of the Bretton Woods Commission concerning the Fund's participation in the G-7 consultation mechanism are extremely interesting and revealing. I am referring especially to the report's conclusion that the Fund itself should play a key role in the coordination of the industrial countries' financial policies and, with time, in regulation of the major reserve currencies' exchange rate movements. Without attempting to predict future developments in this area, I regard the efforts of the Fund's management to strengthen the role of the IMF Interim Committee as entirely timely, and I fully support the initiative of Interim Committee Chairman Philippe Maystadt in this area.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

With respect to the IMF, we support calls for more effective surveillance of the policies of the major economies and for the fostering of cooperation among them, as this would help make the global financial environment in which we have to function more stable and predictable. We also urge that the IMF, while maintaining its essentially monetary and catalytic character, vigorously pursue all avenues for enlarging the availability of financing and for delivering that financing on terms appropriate to the varying conditions of those of its members that need to use its financial resources.

Spain (Mr. Solbes)

The efforts to reduce government deficits in the industrial countries must be continued. The reduction of fiscal deficits remains a fundamental objective of economic policy for the coming years, with a view to reducing real interest rates and generating new investment and more growth.

The progress achieved in terms of price stability must also be maintained through appropriate monetary policies and microeconomic measures aimed at reducing market rigidities. We cannot afford the luxury of lowering our guard against inflation and jettisoning the efforts of recent years if we wish to be successful in achieving a period of durable economic expansion.

And to sustain a long period of expansion, it is equally pressing to pursue structural reforms in the broadest sense, aiming at more flexible operation of markets and increased domestic and external competition, with the ultimate goal of improving resource allocation and reducing budgetary pressures to some extent. In the European case, a crucial goal is to reduce structural unemployment. We must ensure that the emergence from economic recession is accompanied by a reduction in the existing high rates of structural unemployment, and this may require specific incentives in the areas of hiring practices and other factors affecting labor costs.

Switzerland (Mr. Stich)

Even if the advantages and the feasibility of establishing a system of target zones seem bleak, we are nonetheless convinced that enhanced IMF surveillance is the best way to achieve greater convergence of domestic economic policies and, therefore, to lead to a greater stability in exchange rates. The spelling out of convergence criteria and the publication of some Fund documents, such as the reports on the Article IV consultations, would be an advantage in this respect. We do not think that greater economic convergence or increased transparency of IMF activities must necessarily lead to the sacrifice of legitimate national interests.

As globalized financial markets contribute to efficient capital allocation, the Fund should further promote elimination of capital controls. On the other hand, increased capital mobility and the globalization of financial markets call for enhanced financial market supervision. Accordingly, the Fund should deal more extensively with multilateral surveillance.

Thailand (Mr. Tarrin)

We share the view that the surveillance role of the Fund should be strengthened to foster closer coordination of economic policies. However, we urge that surveillance be conducted in such a manner that the burden of adjustment falls equitably on both industrial and developing countries.

United Kingdom (Mr. Clarke)

These meetings take place against the background of new optimism as the recovery takes hold across the industrial world. The discussions over the last few days have shown remarkable consensus on what industrial countries should do to safeguard this recovery. In particular, we have agreed that further fiscal consolidation is necessary to reduce the global imbalance between savings and investment and to alleviate pressure on long-term interest rates; we have agreed that monetary policy should be set to guard against the risk of re-emerging inflationary pressures stifling the recovery; and we have agreed that the problem of structural unemployment should be tackled by increasing labor market flexibility and reversing the effects on employment of well-intentioned but misguided social policies.

United States (Mr. Bentsen)

The three-part strategy of reducing our own budget deficit, and encouraging interest rate reductions in Europe and an increase in demand and tax changes in Japan, is clearly working...

...At our G-7 meeting the ministers and governors had some concerns about the rise in real long-term interest rates. To some extent that is caused by the increasing gap between what is being saved and what is being invested. There is a growing demand for investment capital, and we asked the Group of Ten to examine the issue....

Within the G-7, finance ministers have committed themselves to strengthen the policy coordination efforts. We have also decided to involve the central banks more deeply in the G-7 process and endorsed an important role for the Group of Ten in the cooperative effort to monitor global capital markets.

The IMF can play an important role in our endeavors, by acting as an early warning radar for problems on the horizon. And wider dissemination of its policy analysis and advice can be a valuable tool in the Fund's surveillance and consultative efforts....

A financial market problem can ricochet through the global economy in seconds through a fiber optic cable. Simple human errors such as transposing a digit or dropping a decimal make a bigger difference these days.

But that also creates the need for oversight to understand market practices and the potential for market forces to influence economic events. The leaders at the G-7 summit in Naples encouraged greater cooperation among their appropriate authorities. While a great deal of the work needs to be done on a national basis, the Group of Ten is well placed to make a contribution, as is the Fund itself.

4. Adjustment Policies in Developing Countries

Belgium (Mr. Maystadt)

We have constantly increasing evidence that those African countries that steadfastly undertake adjustment and reform programs with the aid of the Fund and the Bank are also those that show the most positive evolution in per capita income levels. It would be simplistic, therefore, to fault the Fund and the Bank with being at the root of Africa's problems. It must be acknowledged, of course, that structural adjustment programs initially did place too much emphasis on ruthless liberalization of the economy and showed little concern for their concrete impact on people. But this is no longer the case today: Fund programs have become much more attentive to the needs of the poorest, and World Bank lending to social sectors is increasing strongly (the Bank's loans for education and health have more than doubled in five years). I also note that many of those who traditionally were most critical of the Fund and the Bank--and often rightly so--are today willing to give some degree of credit to the new choices made by the two institutions. However, the Fund and the Bank must show even more determination as they pursue this path. The means to reach the goal are already available, and for the first time in many years, the international climate seems favorable for renewing the partnership among the main players.

Canada (Mr. Peters)

Working closely with the Fund and the Bank, many of the [developing] countries have put in place bold reforms to open up their markets and remove obstacles to foreign investment. In turn, these same countries have been rewarded with increased investor confidence, which has triggered the return of flight capital and renewed access to capital markets.

While sound economic policies are also essential for the poorest countries, many of these countries clearly face special development challenges. To address these, increased attention needs to be focused on poverty reduction, human resource development--including women in development--and protection of the environment. The Fund and the Bank have a special role to play in helping these countries design viable strategies for development and in ensuring that appropriate budgetary support is available to implement them effectively.

In the final analysis, however, reforms will only succeed if we are able to help the [developing] countries help themselves. To do this we need to continue to provide improved access to our markets. The role that an open and growing international trading system plays in fostering sustainable growth underlines the critical importance of moving ahead to implement the Uruguay Round.

Côte d'Ivoire (Mr. Duncan)

If it is to attain the projected growth rates, sub-Saharan Africa must continue to implement strict macroeconomic policies, with a view to providing a stable macroeconomic framework, and to deepen its structural reforms, in order to strengthen each country's international competitiveness and take full advantage of the opportunities made available by the Uruguay Round agreement. It is in this context that the franc area countries decided last January 12, in Dakar, to devalue the CFA franc and the Comorian franc by 50 percent and 33 percent, respectively, against the French franc.

At the same time, the franc area countries took a series of budgetary and monetary measures, as well as structural reform measures, aiming respectively at ensuring macroeconomic stability and correcting structural distortions.

Germany (Mr. Waigel) 1/

The success of many developing countries, above all in Latin America and Asia, likewise rests on consistent market-oriented reforms, often made in close cooperation with the Bretton Woods institutions. Improved creditworthiness has opened up access for many of these countries to the private capital market and provoked an inflow of private investment. It is, however, of decisive importance that these resources be put to productive use. The other side of the coin is that stagnation, poverty, famine, and disease persist in some countries, above all in Africa, and this gives rise to most serious concern within the European Union.

One lesson of both successes and failures is that policies matter. The recent World Bank study Adjustment in Africa concludes that countries that undertook macroeconomic reforms have had higher growth rates than those that did not. There is now an almost general consensus on the market-friendly approach outlined in World Development Report 1991, consisting of a stable macroeconomic policy, a competitive microeconomy, investment in people, and an internationally-oriented economy.

Guinea (Mr. Camara) 2/

...Developing countries should continue to pursue economic reform, with governments acting as a constructive force for change by ensuring political stability, improving public sector management, and creating an enabling environment for private entrepreneurship--which are necessary prerequisites for effective economic reform....

...In a number of cases, our governments have made significant changes in the way we approach economic realities. First, many of our governments are now more determined than ever to embark on, or to maintain, economic reform programs in our countries, as evidenced, for example, by a number of countries that have consistently implemented such programs and by the recent devaluation of the CFA franc by 14 African countries. Second, our governments are increasingly giving the private sector a much larger role in the development process than it has been allowed to play in the past and are creating an enabling environment to facilitate this enhanced role. To this end, there is a growing acceptance that the role of government is to facilitate change and to ensure that the benefits of development are fairly and equitably shared by different groups in society. Finally, the democratization process currently taking place in much of the continent implies greater popular participation and consensus building in economic decisionmaking. As a result, reform programs benefit from greater borrower ownership, are more effectively implemented, and enjoy a much higher degree of efficiency and sustainability.

...With appropriate assistance from multilateral institutions and donor agencies, we are constantly seeking to make our programs more effective. We are doing our part by improving economic management, mobilizing domestic resources, and liberalizing our economies to increase incentives and to create a conducive environment for the private sector. However, the persistent decline in the terms of trade, the heavy debt burden, and the shortage of resource flows to our countries, including private capital, are the most serious constraints to our development prospects. All these hamper significantly the achievement of sustainable growth and external viability....

We believe that the general strategy of reform pursued over the years remains valid. What is needed, in our view, is a strengthening of the foundation of our economies, with special attention paid to:

(i) economic diversification away from heavy dependence on primary commodities;

(ii) ensuring food security, particularly by reducing the continent's vulnerability to variations in weather conditions;

(iii) increased investment in basic economic infrastructure; and

(iv) human resources and institutional development, as well as transfer of technology with a special emphasis on capacity building.

These would enable us to build a solid basis for macroeconomic stability and to raise living standards in the region.

Ireland (Mr. Ahern)

The structural adjustment process will have to be more people-oriented while still bringing about the required macroeconomic adjustment. This means an increasing emphasis on people and their needs, involving them more in drawing up and implementing projects and programs. It also means ensuring that adequate provision is made both for access by all the people to basic health care and primary education and to protect the most vulnerable and marginal groups, including in particular women and children. In addition, the involvement of women in development must be further enhanced. There must also be a full evaluation of how effective these provisions have been in promoting human well-being. I would however add, from the experience of my own country, the importance of building a development strategy on stable macroeconomic foundations.

Italy (Mr. Dini)

In the developing world, the most successful economies have been those most actively engaged in policies of macroeconomic stabilization, fiscal deficit reduction, market-based reform, trade liberalization, and financial deregulation. These are the key factors behind the surge in capital flows to these economies. Their success should provide strong encouragement to developing nations generally, and to the economies in transition in particular, to double their efforts and their commitment to persevere in rigorous adjustment and reform policies supported by the international community with financial and technical assistance. If they do so, the benefits and rewards for their economies and the well-being of their people will be achieved before long.

Kuwait (Mr. Al-Sabah) 3/

The persistence of many developing countries in implementing adjustment programs has led to notable success in increasing investment and attracting private capital flows. This confirms the positive effects of adopting economic policies that aim at increasing domestic saving and improving investment climate.

Malaysia (Mr. Anwar)

The fact that some developing countries had been able to record sustained growth when the industrial economies were toiling under recession points to the success of their prudent economic management. Developing countries have the capacity to harness domestic sources of growth and diversify trade relations to nontraditional markets. One must realize that the sustainability of growth for developing countries also means diversifying their sources of growth, domestic as well as international.

Acceleration in regional economic integration and vigorous efforts to harness subregional growth potentials are the fastest means to reduce long-standing dependency.

However, the growth enjoyed by developing countries should not be jeopardized by the imposition of nontrade issues such as labor standards, minimum wages, human rights, and environmental concerns. For most of us in the developing world, there must be continuous, consistent, and pragmatic efforts to improve the welfare of workers. In countries with excess labor, the effective implementation of universal labor standards may appear benign and theoretically appealing, but practically cruel in reality. It only means eroding the advantage these countries possess: labor competitiveness, thus effectively placing employment beyond the reach of the poorest--groups without education and with the least minimum skills.

Norway (Mr. Moland) 4/

The divergence in economic performance of countries in transition and developing countries clearly underlines the need most of these countries have for strengthening macroeconomic policy and structural reforms. The efforts of developing countries and countries in transition will be facilitated by adequate financing under appropriate conditionality from the international community.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

Within our CARICOM grouping, we are committed to pursuing prudent fiscal and monetary policies; to maintaining the momentum of structural reforms; to applying sound policies in the external sector, including collective action to reduce our common external tariff; and we remain resolved to streamline the machinery of government and to make administrative procedures increasingly clear and transparent. However, we are all striving toward these goals under impediments of one kind or another. Some of us are working toward them under the yoke of a continuing debt burden, which remains heavy even after the very welcome reschedulings and debt forgiveness obtained in the past.

Solomon Islands (Mr. Nori) 6/

For those of us who are embarking on adjustment programs, the expansion of trade and the diversification of our economies will be critical to the success of the adjustment measures in strengthening our economies. Trade and economic diversification lead to more jobs and better utilization of human resources and act as a stimulus to further investment for growth.

Spain (Mr. Solbes)

We must not forget, however, that the principal element driving growth in developing countries will continue to be the persistent application of measured stabilization and structural reform policies designed to ensure that development extends to all of society. The striking increase in private capital flows to some developing countries in recent years, especially in Latin America and Southeast Asia, is largely a response to the progress they have made in their economic reforms. I share the opinion of those who think that these increased capital flows largely reflect investors' confidence in the future of these economies. Given the sensitivity of capital flows to changes in market confidence, however, it is essential to continue pursuing adequate policies and deepening the reform of the markets.

Venezuela (Mr. Sosa) 7/

Latin America has adopted many of the recommendations included in structural economic reform programs. Although in most cases the results are positive, regrettably there are others in which social problems have persisted or worsened.

5. Adjustment Policies in Countries in Transition

Bulgaria (Mr. Alexandrov)

Drawing on our experience, we attach high priority to the following issues of the policy of economic transition:

- speeding up the privatization process as a main road toward a market economy based on private ownership;
- implementation of sound macroeconomic policies with a proper balance of stabilization and restructuring measures; and
- addressing the social issues in a sustainable manner from the point of view of the aims for transition and growth of the economy.

Obviously, transition and establishing sustainable economic growth in the economy require continuing efforts in the implementation of the economic reforms. At the same time, we believe that this process deserves continuous attention and support on the part of the international financial institutions and the international community as well.

Canada (Mr. Peters)

The experience of stabilization and reform in Eastern Europe and the countries of the former Soviet Union underlines the wisdom of resolute action. The countries that acted early to reduce macroeconomic imbalances and eliminate the inefficiencies of central planning have significantly accelerated the benefits of economic transition. In contrast, the countries that have adopted a more gradualist approach to reducing inflation and removing barriers to private activity have experienced the sharpest declines in real output.

This demonstrates that the best way to minimize the inevitable costs of the reform process is to push ahead with privatization, in parallel with appropriate fiscal and monetary policies to maintain macroeconomic stability.

Croatia (Mr. Jurkovic)

The IMF and the World Bank Group, as universal institutions, have helped in the achievement of stable economic growth in their member countries. Their role and support in the process of market reforms in transitional economies are of special importance. Accordingly, Croatia advocates the growth-oriented adjustment approach of the IMF. Structural adjustment necessarily implies further cooperation between these two institutions.

It has to be pointed out that adopting the cooperative medium-term strategy formulated by the Interim Committee of the Fund in April 1994 is of great importance to us. Within this framework we would like to place particular emphasis on the recommendation that strong transformation policies deserve adequate financial support.

Germany (Mr. Waigel) 1/

The evidence is that economic progress and the prospect of self-generating economic development are to be expected soonest where reforms oriented to the market economy have been introduced at an early stage and consistently applied. In most of these countries, the task is to build on the economic progress already made, to strengthen it through budgetary and monetary policies oriented to stability, and to come to a successful completion of the transformation process by pressing on with structural reforms.

We are worried, however, at the slow progress of reform and the consequent continuing fall of output in some of the countries of the former Soviet Union. The preconditions must quickly be established for a perceptible improvement in the living standards of the population of these countries in order to ensure the success of the reform process. It is important that the Fund continuously examine the design of the reform programs from this point of view as well as from others.

Germany (Mr. Tietmeyer)

We hope that those countries engaged in the transformation process that have made only unsatisfactory progress so far will increasingly follow the examples of resolute and consistent anti-inflationary and reform policies, and thus enhance the basic requirements for achieving stable growth in their economies. Stable macroeconomic conditions, along with the necessary institutional and structural reforms, are the best precondition for creating an investment climate that is conducive to mobilizing domestic savings and facilitating the inflow of foreign capital.

The Russian Government deserves our recognition for its intention to stick to an anti-inflationary policy stance despite the very difficult economic and political situation. The process of reform on which Russia and the other countries in transition have embarked continues to require the backing of the international community.

Germany has so far contributed more than any other country to support the reform process in Eastern Europe. It will continue to do everything in its power to assist its neighbors and partners by both word and deed, both bilaterally and multilaterally.

To us, this is a matter not only of practical solidarity but also of enlightened self-interest. Geography and the consequences of cross-border integration, as well as the lessons of history, all teach us that Europe is a community of states destined to stick together. However, this community must not and cannot be sufficient unto itself. As one of the pillars of a multipolar world, Europe must not be a "closed shop." On the contrary, it will have to remain a constructive and reliable partner in competition and in cooperation worldwide.

Greece (Mr. Papantoniou)

Together with the other member states of the European Union, Greece supports the transformation process in the countries of Central and Eastern Europe and of the former Soviet Union. Considerable progress has been achieved so far. However, much remains to be done. These countries are encouraged to continue on the reform process with determination, without delays and backsliding. This is crucial for avoiding "transition fatigue" since public support of the transformation process can be rather fragile.

Italy (Mr. Dini)

In the developing world, the most successful economies have been those most actively engaged in policies of macroeconomic stabilization, fiscal deficit reduction, market-based reform, trade liberalization, and financial deregulation. These are the key factors behind the surge in capital flows to these economies. Their success should provide strong encouragement to developing nations generally, and to the economies in transition in particular, to double their efforts and their commitment to persevere in rigorous adjustment and reform policies supported by the international community with financial and technical assistance. If they do so, the benefits and rewards for their economies and the well-being of their people will be achieved before long.

Japan (Mr. Mieno)

We believe it is important that the Fund and the Bank, in close collaboration, continue to assist, through their financing and policy advice, those economies in transition and their self-help efforts to achieve further privatization and structural adjustment. Some Central and Eastern European economies that started adjustment efforts earlier are improving. Russia made progress in reducing inflationary pressure and containing fiscal deficits; it is expected to carry forward the adjustment efforts and to respond appropriately and in a timely manner to the international support framework centered around the Fund and the Bank.

Turning to Asia, it is crucial to extend adequate assistance to those economies in transition, such as Viet Nam, Cambodia, the Lao People's Democratic Republic, Mongolia, and the central Asian countries, which started their reforms from a more challenging position.

Lithuania (Mr. Ratkevicius) 8/

The Baltic states continuously strive to be among those states with transition economies which carry out economic reforms most rapidly and successfully. Sustained financial adjustment coupled with bold liberalization has produced the macroeconomic environment necessary for a turnaround in output....

Now, to provide for economic growth, substantial acceleration of the privatization process and structural reform in the basic sectors of the Baltic states' economies are needed....From our point of view, direct foreign investment, including private investment, would be much more beneficial in facilitating structural changes in our economies.

Norway (Mr. Moland) 4/

The divergence in economic performance of countries in transition and developing countries clearly underlines the need most of these countries have for strengthening macroeconomic policy and structural reforms. The efforts of developing countries and countries in transition will be facilitated by adequate financing under appropriate conditionality from the international community.

Poland (Mr. Kolodko)

In all transitional economies, stabilization and price liberalization initially benefit the budget (through taxation of the high paper profits of state enterprises and lower expenditure on subsidies and lower real wages) only to aggravate the impact of the subsequent fiscal crisis (when the profit tax dries up and welfare costs soar). Sustained fiscal austerity is essential, especially in the presence of a large public debt (although not large by the standards of some European countries such as Belgium or Italy, but harder to finance). There is, however, a great deal of scope for affecting the composition of government revenues and expenditures and for choosing among the exchange rate and interest rate policies compatible with fiscal policy and the management of internal and external public debt.

Spain (Mr. Solbes)

The countries with economies in transition have continued to make progress toward macroeconomic stability and to lay the foundations for sustained macroeconomic growth. The primary lesson of recent years is that those countries that were able to make the boldest advances along the road of economic reform were able to bring their output declines to a halt. The still large group of countries with economies in transition that continue to experience negative growth rates should persevere in their efforts to attain macroeconomic stability. Reductions in fiscal deficits and inflation are the preconditions for achieving positive rates of growth in coming years. At the same time, it is necessary to insist on structural reforms, including continued trade liberalization measures and stronger social safety nets for the poor, while avoiding the maintenance of unviable jobs and strengthening occupational training and unemployment assistance.

Faster transition should also help attract more external financing. To this end, the Fund should be prepared to use all possible means of contributing to the potential acceleration of economic reforms.

Switzerland (Mr. Stich)

Another challenge that should be addressed by both the Fund and the Bank is the support for economies in transition. Success observed in some Eastern and Central European countries shows us the way. The transition process, however, especially in the countries of the former Soviet Union, has proven to be far more complex and lengthy than initially expected.

Turkey (Mr. Dogan)

I would like to take this opportunity to refer to the problems associated with the transition period in the formerly planned economies. The fact that private sector operations have taken hold in countries that had long been characterized by the efficiency-destroying policies and methods of the centrally planned system is an encouraging sign. These developments show that the structural adjustment efforts in these countries have begun to bear fruit. The success of the privatization programs in some of these countries is also worthy of note. The inflows of foreign capital into the region will culminate in the development of market mechanisms. Economic problems will be eased as a result. The IMF and the World Bank will undoubtedly continue to play a major role in helping to resolve these countries' problems.

Ukraine (Mr. Mitiukov)

An excellent illustration of past achievements are the IMF's and World Bank's roles in the transition economies. There is no universal recipe for the transition, as demonstrated by the case of the countries of the former Soviet Union, in particular Ukraine. But we have seen that the core of reforms basically corresponds with the lessons of stabilization and adjustment arising from fifty years of Fund and Bank experience....

We support an increased role for international financial institutions in the transitional processes of the newly independent states. This role should concentrate on solving the short-term balance of payments problems of its members, providing long-term infrastructural project finance, and spurring the development of expertise related to the transition to a market economy and new institution building.

United States (Mr. Bentsen)

The IMF has helped Russia and the other transition economies take the painful steps of reform and begin rebuilding their economies. The policy we have long advocated--support measured with the pace of reform--is working. Progress in Russia has been real. Inflation is down--in single digits per month now. Wages are up. Capital flight is ending. Half the GDP comes from the private sector. And real interest rates are positive. I complimented President Yeltsin last week on the change.

I want to add a cautionary note. The present situation in Russia concerns me. I cannot tell how it will turn out. But one thing is clear: to avoid slipping backwards, Russia must take a bold step forward. That bold step can stabilize the economy, create modern institutions that work, and bring Russia into the world economy.

The success of completing transitions--as is being done in Poland, the Czech Republic, and elsewhere--is up to Russia and the other nations making this historic conversion. It is not up to the United States, not the G-7, and not the IMF. In Russia, a bold stabilization effort is needed to quickly reduce the remaining inflation. A tough budget-cutting program can end this printing of money and allow the delivery of the support pledged at Naples. And pegging the ruble in their foreign exchange market--in the context of a strong program--would permit mobilization of a $6 billion currency stabilization fund.

6. Trade Liberalization; and Fund Cooperation with the World Trade Organization (WTO)

Australia (Mr. Willis)

The prospects of enhanced world economic growth have also been boosted by the completion of the Uruguay Round. The Fund-Bank estimate of the initial boost to world income from this initiative is about $250 billion, or 1 percent of GDP. However, the Director-General of GATT has recently estimated it to be more like $500 billion, or about 2 percent of world GDP, when account is taken of the dynamic impact of the Round's economic activity. With such large gains at stake, it is crucial that the momentum is not lost and that ratification occurs promptly to give effect to the agreement from the beginning of 1995.

Canada (Mr. Peters)

In the final analysis, reforms will only succeed if we are able to help the [developing] countries help themselves. To do this we need to continue to provide improved access to our markets. The role that an open and growing international trading system plays in fostering sustainable growth underlines the critical importance of moving ahead to implement the Uruguay Round.

China (Mr. Zhu)

China formally applied for re-entry into the GATT as a contracting party in 1986. Since then, we have taken a series of major reform measures to converge with the international trade and economic norms as established by the GATT. These include streamlining our trade system, substantially reducing the tariff level, introducing a single exchange rate and conditional convertibility of the Chinese currency under the current account, and gradually opening up our domestic service sector. Now, China's economic and trade system is, generally speaking, in keeping with GATT requirements. Therefore, China's re-entry should not be delayed. For this will not only benefit China, but also the entire world. The GATT and the WTO cannot be considered universal if China is kept outside.

Colombia (Mr. Perry) 9/

During 1990-93, developing countries accelerated unilateral trade liberalization, even though they continued to face significant trade barriers to market access in industrial countries. Particularly significant among the developing countries, as has been pointed out by numerous documents of the World Bank and the IMF, has been the progress on trade liberalization made in the Western Hemisphere.

On the other hand, trade policy developments in industrial countries were characterized by limited market opening and an escalation of trade frictions. Unfortunately, the unilateral opening up of the Latin American and the Caribbean economies has not been accompanied by better access for our products in industrial countries but, in some important cases, by more strict and unjustified restrictions.

Since we are convinced that the process of economic liberalization will contribute to our economic progress, our region will continue on its reform path. Nevertheless, the struggle for a freer access to the markets of industrial countries must also be continued, and the World Bank as well as other multilateral institutions should play an important role as our ally in this process.

Fiji (Mr. Vuniobobo)

After protracted and difficult negotiations, the successful end to the new Uruguay Round has injected unprecedented potential into this brighter global outlook. The large number of developing countries that participated in the negotiations denoted their genuine efforts to liberalize their domestic trade and exchange arrangements. The major advantage of this new trade order under the leadership of the WTO lies in the strengthening of rules with respect to safeguards, antidumping, and countervailing measures. We, therefore, call for the timely conclusion of the ratification process of the Uruguay Round agreement. But we should keep in mind that the realization of the treaty's potential will be undermined and even endangered if nontrade issues, such as labor standards and environmental factors, are used as pretexts for nontariff protection.

While the potential advantages of the Uruguay Round for the global economy are clear, the Round's impact on individual developing countries is varied. Under the new agreement, tariff cuts for agricultural commodities and fish will not only be small, they will also be heavily back-loaded, while many manufactured products, such as textiles and clothing, will still be subject to tariff peaks. These will result in two things. First, net food importers like Fiji will face higher world prices. Second, the loss in preferential treatment may not be fully offset by new access to the markets of industrial countries.

What can the Bank and the Fund do to alleviate the adverse impact of the Round on individual member countries? The Fund could consider a quick-disbursing facility to help countries overcome these exogenous developments and help set the stage for the necessary medium-term adjustments.... Coordination and cooperation between the Bretton Woods institutions and the WTO will be equally critical in ameliorating the adverse impact of the Round and in implementing reforms that are needed to exploit the Round's potential benefits.

Finland (Mr. Viinanen) 10/

The importance of the relationship between trade and development has rightly been given new emphasis through the process and completion of the Uruguay Round. The new trade regime will stimulate increased trade and benefit the global economy, as well as the developing countries. Trade is more important to promote and sustain development than aid. But there are also challenges in the new global trade regime.

Germany (Mr. Waigel) 1/

In order to foster higher and lasting global growth, employment, and living standards on a firm basis, the European Union supports free trade. Central to our efforts is the implementation of the outcome of the Uruguay Round, including the establishment of the WTO. The European Union will endeavor to ensure that the treaties resulting from the Uruguay Round are ratified in time for them to come into force on January 1, 1995.

The ministerial meeting at Marrakech in April agreed on the work program for the WTO Committee on Trade and Environment, thus providing a forum for making progress through constructive cooperation rather than dispute and confrontation. It also provided for consideration of whether other issues should form part of the future work of the WTO. In considering these questions, the aim must be to preserve the open multilateral world trading system, to ensure nondiscrimination between domestic and foreign products, and to avoid measures that are open to protectionist abuse.

The European Union calls on the IMF, the World Bank, the OECD, the WTO, and the U.N. to work together in full respect of each others' competencies.

Germany (Mr. Tietmeyer)

...It is of utmost importance for the global economy that the agreements of the Uruguay Round are expeditiously and resolutely implemented.

Greece (Mr. Papantoniou)

Enhancing the efficiency of labor markets and reinforcing competitiveness provide part of the answer to what appears to be the most critical social issue in coming years. With trade and financial markets liberalized, there is also scope for promoting the adoption of minimum social and environmental standards in order to improve welfare worldwide. The new WTO is expected to play a catalytic role in raising living standards without disruptions and inefficiencies.

Guinea (Mr. Camara) 2/

We welcome the signature, in April 1994, of the Final Act of the Uruguay Round in Marrakech, Morocco. We believe that full application of this accord will reinvigorate world trade. We make this endorsement, however, with the full realization that the benefits from the Round will not be shared equally among the different regions. In particular, low-income, primary-commodity-exporting and food-importing countries, especially those in sub-Saharan Africa, are not likely to derive any tangible benefits in the short to medium term. In fact, some of our countries are likely to lose their preferential treatment in some of the industrial country markets. Additionally, since the prices of some agricultural products from industrial countries, particularly cereals, are expected to rise, all net importers of these products are expected to experience a rise in cost, thus adding more burden to our countries' balance of payments. The peculiar circumstances facing all African countries must be given special attention, and transitional compensatory and other appropriate measures should be instituted to enable them to adjust to the new trade regime.

India (Mr. Singh)

Maintenance of an open trading system, which provides assured market access to developing countries, is perhaps the most important requirement for global prosperity. Most developing countries today are liberalizing their trade regimes as part of their economic reforms. This process needs to be fully supported by increased access to markets in the industrial countries and adequate access to financial resources to cope with possible balance of payments pressure. Early ratification of the Uruguay Round is essential but it may not be enough. Because of backloading, the benefit in the near term will be modest. It is to be hoped that actual increase in access can be faster than the agreement provides.

Israel (Mr. Frenkel)

...It is encouraging that, thanks to multilateral efforts jointly coordinated by the IMF and the World Bank, we are now in the process of resolving some of the problems that arose in the early 1990s.

Another tangible manifestation of this joint effort is of course the successful completion of the Uruguay Round and the creation of the WTO. Two years ago, in front of the same assembly, I expressed my concerns over the slowing down of world trade. Now, we can expect it to pick up again, owing to renewed growth and further price stability in most of the industrial countries and to the rapid development of parts of the Far East and South America. The global consensus reached this year to further eliminate trade restrictions could not have come at a better time.

Italy (Mr. Dini)

...We must continue to work for a more open trading environment, both at the multilateral and regional levels. Free trade has proven to be the most powerful engine for growth. It is our responsibility to make sure that the treaties of the Uruguay Round are rapidly ratified and fully implemented. It is desirable that external imbalances be corrected primarily through changes in the macroeconomic pattern of saving and investment. Adjustment should be pursued through cooperative action, leading to further progress toward a freer trading environment.

Japan (Mr. Mieno)

I would like to turn to the relations between the Fund, the Bank, and the WTO, which is scheduled to be established next year. The Uruguay Round's successful conclusion was highly significant for world trade and world economic growth. It is essential that the WTO, the Fund, and the Bank cooperate closely, with each organization fulfilling its own functions in its area of responsibility and avoiding duplication of efforts.

Kuwait (Mr. Al-Sabah) 3/

If the availability of external financing on appropriate terms is essential in supporting adjustment and development efforts in developing countries, market access for the exports of developing countries in the industrial countries is equally important, if not more important.

In this context, and in the light of the wide-ranging, positive effects of world trade liberalization on the performance of the world economy in general, the Arab countries, including some whose association with the GATT dates to before 1993, some who just joined, and others who have recently applied for membership, welcome the successful conclusion of the Uruguay Round.

We hope that the Uruguay Round agreements will be promptly ratified so that the WTO can start operation by early next year, as agreed in Morocco.

We view the establishment of the WTO as an important step toward the provision of a code of conduct to govern world trade, consistent with the need to reinforce international cooperation in this vital area. We attach particular importance to cooperation between the WTO and the two Bretton Woods institutions within a framework that guards against duplication and undue overlapping of responsibilities.

Great care must be taken so that increases in trade within regional trading blocs will not translate into fewer marketing opportunities for non-member countries, and will not come at the expense of the volume of world trade as a whole.

Even though the issues addressed by the Uruguay Round were comprehensive in nature, there is more to be addressed during the post-Round period to improve market access for the developing countries, particularly in textiles, agricultural products and petrochemicals.

In this context, I have to express again our concern regarding the continued imposition by industrial countries of taxes and other measures that discriminate against oil and our exports of oil products, thereby inhibiting the capability of the countries producing oil and its derivatives to enhance their productive capacities in line with the increased demand.

Like other developing countries, we would also like to express our concern regarding the various protectionist policies and measures in industrial countries, which are supposedly justified by non-trade objectives. These policies and measures reduce the effectiveness of trade as a means of channeling resources and production in accordance with comparative advantage.

The implementation of the Uruguay agreements may have adverse consequences on some developing countries, through higher prices for some foodstuffs and erosion of concessions granted through the Generalized System of Preferences (GSP).

We would like to specifically emphasize the need to implement effectively the ministerial resolution contained in the Final Act of the Uruguay Round, which called for the adoption of principles aiming at increasing the portion of grants and concessionary loans covering food exports to developing countries that are net food importers, and low-income countries in general.

We urge the Fund and the Bank to stand ready to provide every possible assistance to the countries concerned to help them overcome transitional difficulties that may arise from the implementation of the Uruguay Round agreements.

Lithuania (Mr. Ratkevicius) 8/

Liberal trade arrangements, absence of restrictions on repatriation of profits, liberal laws for foreign investment, and monetary stability would provide good opportunities for such investors....After the establishment of liberal regimes for trade and investments in the Baltic states, we might expect to have less restrictive conditions of trade and economic relations with other neighboring states in transition economies.

Malaysia (Mr. Anwar)

...The growth enjoyed by developing countries should not be jeopardized by the imposition of nontrade issues such as labor standards, minimum wages, human rights, and environmental concerns. For most of us in the developing world, there must be continuous, consistent, and pragmatic efforts to improve the welfare of workers. In countries with excess labor, the effective implementation of universal labor standards may appear benign and theoretically appealing, but practically cruel in reality. It only means eroding the advantage these countries possess: labor competitiveness, thus effectively placing employment beyond the reach of the poorest--groups without education and with the least minimum skills.

This misplaced concern is equally evident in the attempt to entangle trade with environmentalism and a particular brand of political correctness. Genuine efforts to conserve the environment and the advocacy of political reforms to expand the horizon of human liberty must be commended. But, this entanglement also acts as a Trojan horse to smuggle in nontariff barriers that will only subvert and undermine the progress of a free and multilateral world trading system. Thus, genuine advocates of these issues must not be deceived by motives that are less altruistic and eventually harmful to the very people whose rights and progress they aspire to champion.

Malta (Mr. Dalli)

The more optimistic outlook for the world economy is to a large extent strengthened by the expected growth in world trade as a result of the successful conclusion of the Uruguay Round. All countries stand to benefit from a more open trading system in goods and services. It is hoped that the ratification of the agreement by member countries of the GATT will proceed at a rapid pace to reduce as much as possible any relapse into protectionism. Malta fully supports the GATT agreements and is one of the signatories to the Marrakech Treaty. It also supports the establishment of the WTO, which, in coordination with other international financial institutions, should play an effective role in ensuring that international trade is conducted in the spirit of the new GATT agreement.

Nepal (Mr. Tripathi)

The successful conclusion of the Uruguay Round Agreements is an important milestone in the history of global trade. It has offered us an added dimension for economic prosperity. We urge all developed countries to fully implement the accord in the true spirit of global well-being.

Netherlands (Mr. Zalm)

The IMF and the World Bank, together with the WTO, have a special responsibility to present the global perspective. They are the custodians of the agreed rules of the game and help to bring them about in practice.

New Zealand (Mr. Birch)

...The Fund and the Bank need to avoid entering into work areas beyond their immediate scope of interest. These aims become all the more important as another institution--the WTO--gets set to begin its operations next year...

The Bank and the Fund, as well as the emerging WTO, must also continue to play a leading role in supporting stronger international trade and investment linkages. Signing of the Uruguay Round agreements in Marrakech marked significant progress toward freer trade, but we must not become complacent. It is legitimate for developing and transition economies to question the double standards of those who call for trade liberalization when it suits them while supporting protectionist measures which hold back the prospects of the developing world.

Full implementation of the Round as soon as possible is critical. There remains much unfinished business on the trade agenda. Further work on the services sector and on agriculture are two examples.

At the same time, we need to guard against the possibilities of emerging protectionist pressures. Issues such as the environment and labor standards are important. But, by linking these to trade, they can all too easily become tools of trade restraint.

Norway (Mr. Moland) 4/

There should be no need for adjustments of the IMF's and IBRD's areas of responsibility after the establishment of the WTO. The main aim should be that the three organizations use their comparative advantages to utilize resources in an efficient manner, to avoid duplication, and to ensure that policy recommendations are consistent and in line with the countries' international obligations. This underlines the need for strong and active mechanisms of collaboration between the Fund and the WTO. Within the guidelines governing its surveillance activities, the Fund should continue to emphasize trade liberalization measures. Moreover, the Fund must, of course, remain responsible for formulating advice on exchange rate policies...

The positive effects of trade liberalization are far from being exhausted....

It is important that the industrial countries give more liberal market access to other countries to utilize comparative advantages. Policymakers have to resist pressures to use nontariff barriers and distorting subsidies.

Pakistan (Mr. Jafarey)

The conclusion of the Uruguay Round has helped to bolster business and consumer confidence worldwide and promises to give new impetus to world trade. Despite our own reservations on textiles and safeguards and concerns about the use of anti-dumping procedures, we support the call for a speedy ratification of the agreement. We are especially concerned by the growing tendency of the industrial countries to link market access to social and labor standards in developing countries. This should not become a new form of disguised protectionism. The creation of the WTO strengthens the institutional basis for trade relations among countries by providing a forum for future multilateral trade negotiations.

Philippines (Mr. De Ocampo)

We also acknowledge the active support of both the IMF and the World Bank for the conclusion of the Uruguay Round of Multilateral Trade Negotiations last year. The dismantling of trade barriers under the Uruguay Round Agreements is expected to bring about economic restructuring that will increase trade and help countries realize more fully their development potential. However, before the benefits of a more open global trading system can be realized, we need to ratify the agreements in our respective countries, a process at least as complex and delicate as the negotiations themselves. The Philippines is now working vigorously on this and, together with other developing countries that have adopted outward-oriented policies, we do so with the expectation that the promise of the Uruguay Round will be fulfilled and that, indeed, our access to industrial-country markets will be enhanced and with it our growth prospects.

South Africa (Mr. Liebenberg)

South Africa is committed to implement our GATT obligations and has already made a start. But to prepare for possible disruptive effects resulting from such trade reforms in many countries, we strongly recommend that the Bretton Woods institutions continue with further policy research on the effect such reforms can have on developing countries, and especially the need for appropriate support mechanisms. In this regard, the challenge before all of us is to constantly evaluate whether the rules and regulations we develop are fairly applied. Agreements between big economic powers should not override efforts to create a level playing field.

Spain (Mr. Solbes)

The entry into force of the Uruguay Round agreement will increase the opportunities for growth in [developing] countries by providing increased access to industrial country markets, opening new areas to international trade, and strengthening the multilateral trade system.

Thailand (Mr. Tarrin)

...With the successful conclusion of the Uruguay Round, the prospect for the world trading system will be greatly improved....

Thailand is committed to the policy of economic liberalization by further opening up the economy. We are committed to the Uruguay Round agreement and are prepared to support a successful conclusion of trade in services, including financial services. Also, a unilateral, comprehensive, customs tariff reform is being implemented.

Tonga (Mr. Cocker)

We welcome the successful completion of the Uruguay Round, in which both the Bank and the Fund have been greatly involved. The widening of markets and the consolidation of multilateral rules will give a new boost to world trade. The uncertainty about the future of the multilateral trading system has been reduced. With the reductions of tariffs and nontariff barriers, the developing countries are expected to benefit from economies of scale, transfer of technology, increased openness, and global competition in trade.

However, it should be noted that the trend toward liberalization in the wake of the Uruguay Round will, in the short term, have an adverse impact upon the Pacific-island economies, including that of Tonga. This means that the level of competition which exporters from Pacific-island economies will face in world markets will steadily increase. In this regard, we would urge that the Bank and the Fund monitor closely any adverse impacts that the Round may have on developing countries, especially the poor and small island economies on a country-by-country basis.

Turkey (Mr. Dogan)

The conclusion of the Uruguay Round has strengthened our expectations with respect to the stimulating effects of free trade on the world economy.

United Kingdom (Mr. Clarke)

We have also achieved remarkable consensus on the benefits of the free international flow of trade. Immediate ratification by all countries of the GATT agreement is a priority, and with it the creation of a new institution, the WTO. I would also emphasize the importance of the free flow of investment which can bring immense benefits, particularly when accompanied by free trade. I propose, for example, that we urge the Fund to encourage members to remove their remaining exchange controls on capital flows.

United States (Mr. Bentsen)

One sure way to help sustain the growth which is occurring is to broaden and deepen our trading relationships. The Uruguay Round of the GATT must be implemented. In the United States, I expect we will have it up and running at the start of the year.

Global trade has more than doubled in the past decade, and tripled in the past 15 years. It is an increasingly potent force in national and global growth. Coupled with the development and transitional assistance of the Bank and the IMF, trade will assume an ever more important role in sustaining growth and encouraging development. For most developing countries, trade is more important than aid. It is estimated that the income gain from the Uruguay Round could be as much as $80 billion a year in the developing world when the agreement is fully implemented.

Viet Nam (Mr. Cao Sy Kiem)

...We would like to join other nations in celebrating the signing of the GATT's Uruguay Round--after eight years of laborious efforts of so many nations and individuals--and the creation of the WTO.

7. Access to Fund Resources (including STF)

Australia (Mr. Willis)

The Interim Committee decision to recommend that the Executive Board of the Fund consider a temporary increase in annual access limits from 68 percent to 85 percent of quota was welcome, but the failure to agree on an extension of the STF or an allocation of special drawing rights (SDRs) was most disappointing.

Fiji (Mr. Vuniobobo)

This moves me to highlight the special needs of the island economies in the South Pacific including Fiji. Although a few of us are classified as middle-income for Fund and Bank purposes, the countries in the region are small in size, both geographically and economically. The people's livelihood is closely linked to agriculture, which constantly suffers from hurricanes and droughts. Unfortunately, some of us are not eligible for the Fund's ESAF or for credits from the International Development Association. Sometimes, one cannot avoid the perception that our interests are peripheral in the quest to solve the problems of the larger membership even though we are normally the first one to feel the side effects of world developments.

Germany (Mr. Waigel) 1/

With regard to access to IMF resources, the European Union supports the proposal for a temporary increase in annual access limits from 68 percent to at least 85 percent of quota.

Indonesia (Mr. Afiff)

The proliferation of conditionalities is a matter of grave concern. Conditionalities related to the use of resources are necessary and legitimate. But political or ideologically motivated conditionalities are to be rejected. There is an urgent need to reduce the number and type of conditionalities and to limit conditionalities to the essential objective of ensuring that resources are used for their intended purposes.

Japan (Mr. Mieno)

I am, in this regard, pleased to see that the Interim Committee members recommended that the Executive Board further consider the proposal for a temporary increase in the annual access limits from 68 percent to at least 85 percent.

Kuwait (Mr. Al-Sabah) 3/

It is important to ensure that the expected agreement to increase the access limits would not only apply to transition economies, but to the membership in general, within the guidelines on policies on access.

Malta (Governor Dalli)

...It is satisfying to note that the Fund's financial resources appear to be adequate and so in all probability no increase in quotas will be recommended by the committee responsible for the Tenth General Review. However, there is the possibility that, given the substantial requirements of the economies in transition, which are undertaking far-reaching reforms, such resources could be easily depleted, hence causing a crowding-out problem for other developing countries in need of financial assistance. It is important to highlight this matter, although I am sure that the management of the Fund is monitoring the situation closely. For small countries such as Malta an issue that may be of direct concern is a possible erosion of voting strength as methods of quota calculation are expected to be revised in the subsequent quota review.

Netherlands (Mr. Zalm)

The experience in transition countries has shown that some governments have managed to achieve external viability fairly quickly. However, in other countries, exceptional financing needs may continue for some time. We welcome the temporary increase in access limits. An extension and enlargement of the STF could also be supported by the Netherlands. We welcome the fact that Ukraine has joined those countries which have reached agreement for drawing under the STF. These countries deserve a supportive international environment.

Russian Federation (Mr. Shokhin)

...The main problem here is that the volume of financial aid which the Fund provides is often inadequate to solve the crisis with which the given country is struggling. I therefore welcome the decision made by the Interim Committee to raise the limits of access to Fund resources....

...The STF--is presently under threat. I believe that it is extremely important to adopt the decision to extend the STF. This would enable the

Fund next year to continue using the STF in transition economies, now in the early stages of economic transformation.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

...We welcome the understandings reached by the Executive Board on a temporary increase in annual access limits for IMF resources.

South Africa (Mr. Liebenberg)

The support that increased access to Fund facilities can provide to developing countries and countries in transition justifies further study on this important matter. We would support solutions that do not fuel world inflation, while also alleviating the burden of those countries irrevocably committed to appropriate economic restructuring.

Spain (Mr. Solbes)

...We should congratulate ourselves on having been able to reach agreement on a temporary increase in the access limit to the Fund's ordinary resources.

I hope we will also soon be able to reach a definitive agreement on extending and increasing access to the STF...

Switzerland (Mr. Stich)

It is especially important to achieve an agreement on the extension and expansion of the STF.

However, the Fund should be cautious and not extend credit to perpetuate the old economic structures of these countries and therefore lengthen the transition process. In other words, the countries benefiting from the STF should achieve as soon as possible an economic situation that enables them to draw on ordinary Fund facilities. Financial support should only be provided to countries implementing strong adjustment policies.

Tonga (Mr. Cocker)

We laud the speedy implementation and flexibility of the new facilities granted to those economies undertaking transition toward market economies in Eastern Europe and the former Soviet Union. While we recognize the need for resources to be devoted to these economies in order to maintain global economic and social stability, this should not be achieved at the expense of developing nations, and we must stress that similar considerations should be given to their demands.

Turkey (Mr. Dogan)

The work relating to the Tenth General Review of Quotas must be completed if the increasing needs for resources are to be addressed.

Ukraine (Mr. Mitiukov)

...We are fully supportive of the proposed considerable increase in the access to both systemic transformation facilities and stand-by arrangements. But this should be a reasonable increase based on self-restraint and a responsible approach from all parties involved...We also support the need for extending by one year--but only one year--the STF.

United Kingdom (Mr. Clarke)

One of the best forms of help the Bretton Woods institutions can give to member countries with economic difficulties is finance in support of sensible economic policies. It has become clear that in many countries around the world, with good reform programs, including former communist countries in transition and the poorest countries, temporary financing needs are greater than can be met within the Fund's current access rules. I am therefore particularly pleased that we were able to agree in the Interim Committee on Sunday to an increase in access limits for the IMF's stand-by and extended Fund facilities.

I was disappointed that we were unable to agree on a renewal and increase in access under the Fund's STF, which is of particular assistance to the former communist countries undertaking the historic task of creating market economies. Over the days I have been at these meetings, I have yet to hear a single argument against this. I still hope agreement will be possible in the months ahead.

United States (Mr. Bentsen)

I believe we should also extend the systemic transformation facility.

8. SDR Allocation and Other SDR Issues

Islamic State of Afghanistan (Mr. Tarzi)

On account of the lack of consensus in relation to a unified approach to an SDR allocation, I would like to recommend the following:

Participating in the Bretton Woods system implied holding reserves sufficient to finance cyclical and other transitory imbalances and to give time for taking corrective measures. As it evolved, however, the system became increasingly vulnerable to two shortcomings. It did not provide for an orderly growth of reserves, and it did not contain adequate safeguards against crises of confidence associated with the growing use of reserve currencies. Therefore, the decision to create SDRs was the first concerted effort to provide for an orderly growth of reserves by collective decision. Moreover, it is a known fact that the primary objective of an SDR creation is to add to world reserves in accordance with the monetary requirements of the world economy, or what Article XVIII of the IMF's Articles of Agreement refers to as "long-term global need." In this context, we are of the opinion that the attainment of that primary purpose does not depend on any particular pattern of distribution of newly created SDRs.

In order to achieve the purely monetary objectives of SDR creation, all that is necessary is that the level and rate of expansion of world reserves, including SDRs, be consistent with the balanced growth of the world economy and free of inflationary or deflationary tendencies.

An important consideration would be that an increase in the financial reserves of the developing countries would serve not only the development of those countries but also the international monetary system itself. We are aware that the above objective definitely requires a new approach in relation to an SDR allocation as is currently practiced. One approach would be to change the basis on which SDRs are allocated to countries so that the share of the developing and low-income countries would be above their IMF quotas. Such a technique may be called a redistribution of SDR allocations.

A second approach would be to maintain the distribution of SDRs as at present, on the basis of IMF quotas, but provide for the industrial countries to transfer part of their annual allocations to the development financial institutions.

A third method would be for the development financial institutions to receive a certain quantity of SDRs directly from the IMF; the balance of the allocation would be distributed among Fund participants as at present. It would need to be decided whether allocations of SDRs should be accompanied by a proportional reduction of allocations to all Fund participants or whether the reduction should be applied only to the allocations to industrial countries. We also hope that our other proposals, including SDRs' built-in progressivity--that is, higher interest rates when held as reserves and a linked share of SDRs according to a formula taking into consideration per capita income, as well as in certain cases population so that it contains an explicit and substantial progressivity--should be given due consideration.

Australia (Mr. Willis)

The Interim Committee decision to recommend that the Executive Board of the Fund consider a temporary increase in annual access limits from 68 percent to 85 percent of quota was welcome, but the failure to agree on an extension of the STF or an allocation of SDRs was most disappointing.

Australia believes that equity and fairness require that all member countries have an entitlement to Fund resources, and that an SDR allocation would be of assistance to many of the poorest developing countries as well as the countries in transition. We call on all parties to work cooperatively together to try to bring about a satisfactory resolution to this problem, which we believe could include a small general allocation under the existing Articles as well as a special allocation.

Cambodia (Mr. Sam)

Cambodia missed the last SDR allocation and we are very interested in seeing a significant general allocation. We hope that an acceptable solution will be found.

China (Mr. Zhu)

On the SDR allocation, industrial countries should adopt a cooperative attitude to help bring about a satisfactory solution to this issue at an early date.

Fiji (Mr. Vuniobobo)

...There is a clear case for a new SDR allocation to supplement global liquidity. We also agree with the need to address the equity issue for those members that have not participated in past allocations of SDRs. We would, therefore, like to reiterate our support for the package proposed by the Managing Director of the Fund, which includes both a general and a special allocation of SDRs. A general SDR allocation under the present Articles, in conjunction with increased access to Fund facilities and the extension of the STF, can immediately meet the urgent reserve needs of member countries, particularly those of the states of the former Soviet Union. However, it may be difficult to secure the required international support for the other ingredients of the Managing Director's package if there is no consensus on a general allocation of SDRs.

France (Mr. Alphandéry)

I should like to take this opportunity to comment on the negotiations which have taken place within the Interim Committee.

Together we initiated a set of extremely ambitious negotiations which, once completed, should enable the IMF to respond, in an exceptional manner, to the needs of all its members. The results we have achieved are disappointing when measured against those ambitions.

Let us not, however, throw in the towel. An agreement remains within our reach. A little more realism, a little more sensitivity to overtures which could have been made, or to those which were made but were spurned, will enable an agreement to emerge.

France, as you know, has, from the outset, been in favor of a substantial SDR allocation, both for new and existing members of the IMF. I will continue to work for a comprehensive agreement, as I have done during our meetings.

The offer put forward by the G-7 permits a major step forward. We have improved the initial proposal: the draft amendment confirms our will to maintain the role of the SDR, and we have undertaken to push for rapid ratification and therefore rapid implementation of this allocation. Some countries regretted that a general allocation could not be approved. I, too, would have preferred this outcome. But I also prefer a compromise to a disagreement on principles. I would observe that the selective allocation proposed by the G-7 does, in fact, benefit all countries. In this sense, it is therefore a general allocation, even if it also enables a number of historical injustices to be corrected.

I call upon the Chairman of the Interim Committee and the Managing Director to continue their efforts to achieve rapid agreement on these urgent outstanding issues.

Germany (Mr. Tietmeyer)

Inadequate stabilization and reform, and the associated shortcomings in policies and performance, cannot and must not be compensated for by the artificial creation of liquidity. In particular, it cannot be used to make up for insufficient savings.

A general allocation of SDRs is, therefore, not a solution for this problem. On the contrary, it could negatively influence inflationary expectations in international financial markets, since the only relevant criterion, "long-term global need," is not met under present circumstances.

However, we consider it desirable and--in terms of monetary stability--justifiable to ensure by means of a onetime special allocation that, above all, the new members of the Fund can participate adequately in the SDR system. We hope an agreement will be reached soon.

India (Mr. Singh)

The first amendment to the IMF Articles clearly provided for the creation of SDRs to augment reserves. For a variety of reasons, there has been no allocation of SDRs since 1981. At the end of 1993, more than one third of the developing countries and half of the countries in transition held reserves equivalent to less than eight weeks of imports. In our view the circumstances are appropriate for a fresh, general allocation of SDRs.

Islamic Republic of Iran (Mr. Mohammad-Khan)

...The IMF, through the use of the SDR mechanism, can and should play a stronger role in the management of international liquidity. Given the mandate of the IMF's Articles of Agreement and the fact that the global need for reserves is estimated to be between SDR 400 and SDR 500 billion, we believe that there is an urgent need for a new SDR allocation. We therefore strongly support the Group of Nine proposal that not only addresses this issue but also allows all members to participate in the operation of this most useful mechanism. We would also commend Mr. Camdessus for his valiant efforts in maintaining the integrity of the Articles of Agreement in this regard.

Japan (Mr. Mieno)

Many of the countries that did not participate in past SDR allocations are now in a time of economic transition, facing economic difficulties, and very much need to replenish their foreign reserve assets. I hope that an early agreement can be reached so that all member countries can fully participate in the SDR system.

Kuwait (Mr. Al-Sabah) 3/

We believe it is of utmost importance to exert a serious effort to implement the letter and spirit of the provisions of the Articles of Agreement related to the role of SDRs in our system.

We are disappointed by the inability of the Interim Committee to reach agreement regarding SDR allocation, and we call for making additional efforts with a view to reaching an appropriate agreement in this area as soon as possible.

Malaysia (Mr. Anwar)

...Our conscience dictates that the flow of assistance for development--which includes a more generalized and equitable access to SDRs and to the Fund's and Bank's resources to countries in transition and the poorest nations--must continue.

Malta (Mr. Dalli)

On the positive side, there appears to be growing support for an SDR allocation that should supplement the level of international reserves in line with the expected growth in international trade. Malta has always registered its support for such an allocation and hopes that, apart from a special allocation to new members as proposed by many industrial countries, a generalized allocation of adequate size will also be made.

Netherlands (Mr. Zalm)

...I hope a constructive solution can be found to the SDR allocation soon. The Netherlands certainly will be ready to contribute to such a solution.

Pakistan (Mr. Jafarey)

We are saddened by the deadlock over the question of a fresh allocation of SDRs. We continue to firmly support the proposal put forward by the IMF Managing Director and commend him for his strong and principled stand on the issue. It is difficult to imagine a more propitious time for a fresh allocation of SDRs or any credible alternative that would be as effective in helping countries to deal with the systemic threat of reserve stringency.

Papua New Guinea (Mr. Haiveta)

Papua New Guinea appreciates the efforts made by both the Fund and the G-7 countries to raise sufficient SDR resources to assist member countries of the developing world and the countries of the former Soviet Union and the Central and Eastern European economies in transition.

Romania (Mr. Isarescu)

...A new SDR allocation and additional facilities would help economies in transition like Romania.

Russian Federation (Mr. Shokhin)

I also hope that in the near future it will be possible to resolve the issue of the new allocation of SDRs, which would enable all members to have their proportionate share in this vital mechanism.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

We share the widespread disappointment felt by many over the failure so far to reach agreement on an SDR allocation. The CARICOM countries continue to support the principle of an adequate general allocation of SDRs as well as an allocation to address the question of equity. We urge the Managing Director, the Executive Board, and the Interim Committee to continue their efforts to come to early agreement on this matter.

Spain (Mr. Solbes)

I hope we will also soon be able to reach a definitive agreement on extending and increasing access to the STF and on a new allocation of SDRs.

Switzerland (Mr. Stich)

Concerning the SDR, we feel that the time has come for an in-depth re-examination of this instrument.

Thailand (Mr. Tarrin)

On the proposal for an SDR allocation, we note with disappointment the outcome of the Interim Committee meeting, and call for a speedy conclusion of the issue to the benefit of all member countries.

Tonga (Mr. Cocker)

In enhancing the efficiency of the Fund, we welcome the role of the Interim Committee in this respect. My Government also supports the package developed by the management of the Fund for handling both a general component of the SDR allocation and a special allocation. This should be beneficial both to newly emerging market economies as well as to existing members.

Ukraine (Mr. Mitiukov)

...We welcome the call of Mr. Camdessus for an in-depth study of the controversial questions of the SDR, which we are sure will demonstrate that the interests of developing countries and transition countries do not differ.

United Kingdom (Mr. Clarke)

I, also, of course, regret the failure to reach agreement on the long-standing issue of further SDR allocations. There is a case, in simple equity, for allocating SDRs to countries that have not benefited from past allocations. In doing so, I would like to make sure that some of the world's poorest countries also benefit; and, as a practical matter, that all countries receive a sufficient allocation to provide an incentive for ratifying the required change in the Fund's Articles. Together with the United States, Britain devised a proposal that achieved all these ends and this proposal remains on the table.

United States (Mr. Bentsen)

...We will continue to support an allocation of SDRs that reflects the need to integrate transition economies into the world economy. But any approach that is taken must be consistent with the monetary realities of today. It is a difficult issue, but it is a must that we find an approach that works.

Venezuela (Mr. Sosa) 7/

...We can only express regret at the impasse that arose in the Interim Committee meeting with respect to SDRs. Our countries, together with many others, have long argued in favor of a new general allocation of SDRs. We took this view for a variety of reasons: first, because in an environment of increasingly intense international trade, our countries need to supplement their international reserves; and second, to prevent further dilution of the major role assigned to SDRs as an international reserve asset. Today, let us express our wish that those countries so radically opposed to the new SDR allocation will show more flexibility, as a pledge that they too share the old wish for international economic cooperation.

9. ESAF (and Sale of Fund Gold)

Belgium (Mr. Maystadt)

Macroeconomic stabilization remains essential to mobilize countries' productive forces and to protect the purchasing power of the population from monetary erosion. So, the Fund should continue to play a leading role through its ESAF. This instrument is vitally important; we will have need of it for years yet, and its repayment modalities should remain sufficiently favorable to allow its beneficiaries to continue their reforms while improving their external debt management. In this context, I support Chancellor Clarke's proposal to examine the possibility of selling a limited portion of the IMF's gold stock and earmarking the interest income from the proceeds of that sale to increasing the concessionality of the ESAF.

France (Mr. Alphandéry)

I also derive great satisfaction from the Fund's finding that countries benefiting from the ESAF are those which have recorded the best performance. This strengthens my conviction that this facility--to which France is the leading contributor--is an essential component of the Fund's range of instruments: I warmly welcome its extension.

Germany (Mr. Waigel) 1/

We welcome the renewal of the IMF's ESAF, through which the poorest developing countries obtain financial resources on concessional terms.

Guinea (Mr. Camara) 2/

The role of the international community in providing concessional assistance to Africa cannot be overemphasized. In this regard, we welcome its continuing support for various initiatives, including IDA-10, the enlarged ESAF, the GEF, and SPA-3. However, it is important that the targets agreed upon in the context of these initiatives be adhered to so that the anticipated resource flows are realized in a timely manner.

Kuwait (Mr. Al-Sabah) 3/

I praise the Fund for the attention it has been giving to the poorest members, and welcome the increase in ESAF resources and the participation of many developing countries in financing this facility.

Malta (Mr. Dalli)

I am pleased to say that, despite its limited resources, our country provides some financial assistance to low-income countries through its contribution to the IMF's ESAF Trust. Early this year, in fact, Malta immediately responded to the request of the Managing Director of the IMF by making a second contribution to the ESAF successor.

Nepal (Mr. Tripathi)

Nepal is benefiting greatly from the ESAF program. It has helped us to soften the pressure exerted by a structurally weak balance of payments position.

Netherlands (Mr. Zalm)

The ESAF is a good example of a source of finance which is specifically suited to the least developed countries. The ESAF has enabled the Fund to address medium-term financing needs on concessional terms, without resorting to monetary means.

Papua New Guinea (Mr. Haiveta)

We are, however, concerned by proposals to sell the Fund's gold reserves as one of the measures to raise additional capital. This move, in my view, may jeopardize the Fund's sound financial position, which has been zealously guarded since its inception. Moreover, sales of such magnitude could seriously destabilize the price of gold, thus severely affecting the economies of the gold-producing countries such as Papua New Guinea and other economies currently in transition.

St. Vincent and the Grenadines (Mr. Mitchell) 5/

...We join in requesting the IMF to actively consider the proposal that the distinguished British Chancellor of the Exchequer has tabled, calling for the income from the invested proceeds of IMF gold sales to be used to enlarge financing on concessionary terms for the poorest countries. We would in addition propose that eligibility for this new facility be extended to small countries like ours in view of their fragility and special vulnerability.

Spain (Mr. Solbes)

The efforts and commitment of Spain to support developing countries are reflected in its sizable contribution to financing the Fund's new ESAF....

Tonga (Mr. Cocker)

Turning to specific Fund matters, we welcome the implementation of the ESAF. However, we note with concern that the new expanded ESAF pool, which is funded by voluntary contributions or loans by members, has seen a lot of contributions by developing countries while industrial countries' contributions have not increased significantly.

United Kingdom (Mr. Clarke)

The IMF could build on the success of its ESAF. That success was recognized by donors providing scarce resources for its replenishment. I have suggested that one possibility to improve further the concessionality of Fund lending would be to extend the grace period and maturity of Fund lending. These changes could be financed by careful and phased sales of the IMF's gold reserves. Only the resources from investment of the proceeds of the gold sales should be used for financing ESAF. The nominal value of the gold could be retained by the Fund.

10. A Short-Term Facility to Address Volatile Capital Flows

Kuwait (Mr. Al-Sabah) 3/

We follow with interest effort under way in the Fund to enhance its ability to respond promptly and effectively to the financing needs of member countries should their currencies be exposed to speculative attacks.

Malta (Mr. Dalli)

...I would certainly support the suggestion by the Managing Director of the Fund that a short-term facility be set up by the Fund to provide financial assistance to member countries, which, though pursuing prudent macroeconomic policies, experience destabilizing speculative pressures following the removal of capital controls. This would certainly encourage members to implement and maintain sound policies in the face of a negative response from international speculators.

Pakistan (Mr. Jafarey)

A recent manifestation of the movement toward integration of international capital markets has been the spectacular surge in private capital inflows into developing countries. While this has helped some countries to sustain relatively rapid rates of growth and investment, questions remain as to the sustainability of these flows and the potential for sudden changes in market sentiment. This subject has received prominence in recent deliberations, and I would encourage the Fund to consider the modalities of establishing a short-term financing facility to deal with the risks of abrupt changes in market sentiment. Such a facility would give confidence to members that the Fund has the capacity to provide prompt financial support to members in the event of sudden financial market disturbances arising from factors largely beyond their direct control.

11. Debt Strategy

Belgium (Mr. Maystadt)

...It is important that reforms be carried out in a climate of confidence in the country's financial future. In this context, recent proposals for a reduction of the debt stock of low-income countries lose all meaning. Belgium believes it is high time for the Paris Club to agree to a reduction of the stock of debt of low-income countries that have demonstrated a strong desire for adjustment and reform. Belgium is prepared to apply a 67 percent cut. It is even willing to go beyond this, if objective conditions so warrant, and it asks Paris Club members to call upon the Bretton Woods institutions to establish appropriate criteria. But Belgium also urges all other creditor countries to join in this new advance in handling the problem of overindebtedness. The goal is to avoid unwarranted discrimination between countries and, consequently, to decide on debt reductions on the basis of their economic merits rather than geopolitical considerations.

Côte d'Ivoire (Mr. Duncan)

...Despite the debt relief provisions used so far, Côte d'Ivoire is of the opinion that new strategies should be adopted to reduce significantly the stock of debt.

As I mentioned repeatedly during our earlier meetings, the so-called Trinidad terms should be implemented rapidly in order to lighten the debt of the most heavily indebted countries, and further steps should be taken when necessary.

France (Mr. Alphandéry)

These positive developments should not make us lose sight of the fact that a lot remains to be done to lay the groundwork for sustainable economic growth in the poorest countries. It is essential that excessive debt does not impede these efforts. France, therefore, would like to see progress within the Paris Club on the treatment of the debt of the poorest countries, by raising immediately the concessionality granted them to 67 percent--the aim being to treat all the outstanding debt of these countries as soon as possible.

Germany (Mr. Waigel) 1/

The European Union encourages the Paris Club vigorously to pursue its efforts to improve the terms that it applies to the poorest countries. Where appropriate, these countries should be granted a final reduction of the total volume of their debt and a higher debt-forgiveness ratio.

Guinea (Mr. Camara) 2/

According to the IMF's spring 1994 World Economic Outlook, the ratio of external debt to GDP for Africa as a whole stands at about 63 percent. For sub-Saharan Africa, this ratio stands at 131 percent. At these levels, the debt problem is clearly a major impediment to realizing the region's development objectives. The picture is particularly grim when compared with developing countries as a whole, where the debt-to-GDP ratio stands at only 32 percent. Past efforts to address the debt problem in Africa have proved limited in scope and, therefore, largely ineffective. Yet, its solution would be essential to the adjustment efforts of our countries and a prerequisite to the resumption of sustainable growth. To this end, and in line with the call made by the African heads of state and government at their summit in Tunis in June 1994, we would urge the international community to examine this problem further with a view to bringing about a definitive and material reduction in the stock of debt in the region, including more widespread use of debt forgiveness. Additionally, we wish to lend our strong support both to the proposal, made by the United Kingdom Chancellor of the Exchequer at the recent Commonwealth finance ministers' meeting in Malta for addressing the problem of multilateral debt of the severely indebted low-income countries and to the conclusions of the ministerial meeting of the nonaligned countries on debt and development, held in Jakarta August 13-15, 1994....

...We wish to appeal for a common international strategy in addressing the issue of poverty in Africa. Of immediate importance are concerted efforts to address the issues relating to the removal of the debt overhang and the mobilization of adequate resources to meet our financing needs.

Indonesia (Mr. Afiff)

Coming from Indonesia, which is now in the chair of the Non-Aligned Movement (NAM), I wish to draw the attention of this distinguished gathering to the fact that the debt burden and debt overhang of developing countries is still an unresolved problem. For many of these countries this has become a real obstacle to complete their structural adjustment program, while the repetitive rescheduling meetings absorb scarce administrative resources which are better deployed for attending to 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.

A once-and-for-all debt settlement helps to ensure the restoration of creditworthiness of the debtor country, giving it a better chance to achieve a reasonable and sustainable rate of economic growth.

Debt reduction needs to be approached on a genuine case-by-case basis, within an internationally recognized overall framework of principles for debt settlement.

Independent third parties could be requested to undertake an assessment of the debt problem of individual countries and to put forward recommendations on debt reduction, the required flow of new resources, and the restoration of creditworthiness.

To avoid jeopardizing the credit rating of multilateral institutions, a number of measures, such as the use of the accumulated reserves of the Bank, sales of IMF gold, a new issue of SDRs, and conversion of debt into equity investment could be considered when implementing debt reduction. The institutions' arguments against multilateral debt reduction do not hold water. The multilateral institutions' reputation in international markets depends on capital guarantee from the members, not the security of outstanding loans....

It is heartening to note that the Naples summit meeting of the G-7 agreed on more substantial debt reduction and directed the Paris Club to get it implemented. The Naples agreement is most welcome but it was confined to bilateral debt reduction only. The problem of multilateral debt was not considered. For many debt-distressed countries the servicing of multilateral debt is now a major burden, since it has become the bulk of debt-service payments. Multilateral creditors are considered "preferred creditors" and, as a consequence, there is at present no possibility for debtor countries to have rescheduling or reduction of multilateral debt. Actually, many debt-distressed countries are able to service their multilateral debt fully and on time because they do not service their bilateral debt, or service it only partially. As a result, they have large arrears on bilateral debt.

The existence of large arrears on bilateral debt means that reduction on bilateral debt amounts to providing relief to debts that are already not being fully serviced anyway. Such relief is beneficial since it is a definitive write-off of arrears and will strengthen the long-term position of the debtor countries. But it will not bring immediate relief to a country's balance of payments and will not release resources from debt servicing to be used for urgent development purposes. Therefore, to be effective and meaningful, debt reduction has to include all categories of debt: private, bilateral, and multilateral.

The NAM Meeting on Debt and Development in Jakarta accepted the imperative of each country "putting its own house in order": to restore macroeconomic stability through fiscal and monetary discipline, to mobilize domestic resources, to diversify exports and production, and to design and implement its own adjustment programs.

I do not mean to suggest that solving the challenge of returning the least-developed most heavily indebted countries to a path of sustained growth can be solved by this single step only. What I do suggest is that no solution is possible that does not include action on the part of the Bank and the Fund, along with the other multilateral agencies, to reduce the stock of multilateral debt of these countries.

Therefore, I propose to take the following steps:

- First, to instruct the Board of Executive Directors of the World Bank to take up the proposal for multilateral debt reduction and use the profit of the Bank and IDA repayments to finance multilateral debt reduction of the debt-distressed developing countries.

- And second, to instruct the Board of Executive Directors of the IMF to sell part of the Fund's gold reserves and use the proceeds to finance multilateral debt reduction of the debt-distressed developing countries.

Ireland (Mr. Ahern)

I have previously drawn attention to the problem of Third World debt and called for greater action to combat it. At this meeting last year, I called for a debt relief package for Africa and the other poorest regions at least in line with the Trinidad terms. I am heartened to see that this approach is now more widely accepted. There is now a need to press on beyond the Trinidad terms.

As the problems of bilateral public and private debt become more manageable, attention is now focusing more on the remaining indebtedness to multilateral institutions. It is clear that the measures taken up to now do not go far enough in addressing the debt problems of the most severely indebted poorest countries, especially in Africa. At a minimum, there needs to be a further major increase in concessional financing to countries within this group which are making serious efforts to develop their economies only to find themselves caught in a debt trap.

Both governments and nongovernmental organizations are calling for further initiatives in this area, including the sale of some gold reserves.

I will be happy to support measures which would help the poorest and maintain the effectiveness of the institutions in the development process.

Kuwait (Mr. Al-Sabah) 3/

...We welcome the call by the recent G-7 summit on the Paris Club to seek the implementation of additional measures to alleviate the debt burden, including debt reduction for the low-income and most heavily-indebted countries. We believe that this call by the Naples Summit assumes a particular importance against the background of a noticeable increase in long-term interest rates in the industrial countries as of the beginning of this year.

Malaysia (Mr. Anwar)

We note the significant progress made in the last few years in reducing debt problems. Further action is necessary to reduce debt to sustainable levels and enable the return to economic normalcy. Donor countries and multilateral institutions must ensure the flow of sufficient resources to these countries to help support their efforts for economic adjustments.

Pakistan (Mr. Jafarey)

For countries that have little or no access to private capital markets, there remains a problem of heavy official indebtedness that will require innovative and radical solutions from creditors.

Spain (Mr. Solbes)

We must also strive to obtain an adequate treatment for the official debt of the poorest countries, so as to enable them to solve their debt problems in a lasting fashion.

Switzerland (Mr. Stich)

For quite a few developing countries, debt overhang is still a serious problem. In some countries, a large part of these debts is owed to the international financial institutions--to the regional development banks, as well as to the IMF and the World Bank--and the question has been raised whether these countries should be relieved partially or totally of their debts. We have indeed to recognize that there is a multilateral debt problem for some countries. For its part, Switzerland has already initiated bilateral operations of debt buy-backs for some of the poorest severely indebted countries, including in some instances arrears on multilateral debt.

United Kingdom (Mr. Clarke)

I have also brought to this Conference a specific and practical proposal to remove the burden of multilateral debt from some of the very poorest countries who are making good progress with their development through their own efforts in delivering Fund programs. The multilateral institutions, and especially the IMF, must consider further means to help their poorest and most indebted members committed to reform through the existing strategy of policy advice and concessional lending. It is vital that, through their expertise and experience, the international financial institutions play a central role in helping resolve the debt problems of these countries.

But an unsustainable debt burden remains an impediment to reform in many of the poorest countries. We need to offer them the prospect of being free of debt if they pursue the right economic policies. That is why lending must be on terms that these countries can afford.

Venezuela (Mr. Sosa) 7/

...External debt continues to inhibit economic growth...

12. Technical Assistance and Training

Croatia (Mr. Jurkovic)

[Fund and Bank] technical assistance is vital for countries engaged in comprehensive reforms.

Fiji (Mr. Vuniobobo)

...The bulk of our needs will continue to be for policy advice and technical assistance, and we are grateful to the Fund and the Bank for their past and ongoing programs. Fiji is glad to host the Financial Technical Assistance Center, and we hope that this can become a permanent feature of the Fund's assistance to the region....

We urge the Bretton Woods institutions not to cut back the expanding role of their technical assistance programs and to avoid the imposition of fees, at least on those that cannot afford to pay. We must also warn of the danger of treating all South Pacific island countries with the same generalities, as there are critical differences between them such as industries, institutions, and market sophistication. Economic policy advice and programs, including their implementation and sequencing, must therefore be country specific.

Japan (Mr. Mieno)

What specifically does Japan expect of the Fund? First is the Fund's role in surveillance.... Second is the Fund's role in providing financial and technical assistance to member countries.

Kuwait (Mr. Al-Sabah) 3/

We urge the Fund to expand the scope of its technical assistance to include the area of hedging against adverse fluctuations in exchange rates and interest rates.

I would like also to stress the importance of providing sufficient technical assistance by the two institutions to the Arab countries, which do not use the institutions' financial resources, and of reinforcing the cooperative relations between the two institutions and the regional economic agencies in Arab countries.

Malta (Mr. Dalli)

We are...grateful for the technical assistance that we do receive from these institutions and also for their helpful advice on matters of mutual concern.

Russian Federation (Mr. Shokhin)

While the Fund's financial assistance to countries in crisis attracts widespread attention, another aspect of the Fund's activities--technical assistance--remains in the shadows. In my view, this is an extremely important part of the Fund's work, because it is broadly applicable, and not limited to use in severe crises. It is vital for the Fund to interact consistently with countries that have overcome basic macroeconomic imbalances and no longer require financial assistance. The Fund's participation in shaping the economic policy of its graduates, to use a Fund expression, in part through technical assistance and Article IV consultations, reinforces the progress made and helps prevent a repetition of earlier mistakes.

South Africa (Mr. Liebenberg)

...We express our deep appreciation for the financial assistance provided under the compensatory and contingency financing facility. Policy advice and technical assistance on matters pertaining to taxation, exchange arrangements, and customs administration have also been most useful.

Switzerland (Mr. Stich)

The transition process...especially in the countries of the former Soviet Union, has proven to be far more complex and lengthy than initially expected. The Fund should therefore be ready to make special efforts in providing technical assistance and financial support.

Tonga (Mr. Cocker)

Tonga has benefited from advice received from the new Pacific Financial Technical Assistance Centre, located in Fiji and financed jointly by the Fund and the United Nations Development Programme. This institution makes a valuable contribution to the pool of technical assistance available to the Pacific-island economies with their limited skills and resources, and Tonga supports the foundation and continuation of this new facility....

Tonga is very conscious of the value of its membership in both the Bank and the Fund. We consider the regular consultations with both institutions to be very beneficial, and we hope that the technical assistance we receive will be sustained in the future to support our adjustment efforts.

13. Other Remarks

Austria (Mr. Lacina)

As one of the major creditors to the Fund, Austria also has an obvious interest in a balanced distribution of the cost of running the IMF.

Korea (Mr. Kim)

I would like to request that the representation of the successful Asian economies be adjusted to a level commensurate with their enhanced economic status. Expediting the Eleventh General Review of Quotas next year, the Fund should adjust the gap between the actual and the calculated quotas of these countries.

Kuwait (Mr. Al-Sabah) 3/

Fund relationships with its members are based on mutual trust. We believe that measures, such as the publication of Article IV consultation reports, could adversely affect the special relationship between the Fund and its members.

Russian Federation (Mr. Shokhin)

I am aware that the Executive Board recently decided to permit the publication of certain Fund documents hitherto deemed confidential. I see this as a step in the right direction....

A related question I would like to touch upon is the way its members share in the financing of the Fund's expenses. At present, the administrative and capital expenditures of the Fund are covered basically by raising the interest rate on the Fund's loans; that is, in fact, they are borne by the borrowing members. Clearly, this is not a system that makes the Fund's members contribute in an even remotely proportionate way to the financing of the expenditures. I am aware that this question is on the Executive Board's agenda, and I trust that a decision remedying these deficiencies will soon be reached.