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INTERACTIVE DEBATE

Keynote speake : rMr. Michel Camdessus

Summary

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Mr. Michel Camdessus, outgoing Executive Director of the International Monetary Fund, focused his presentation on the current paradox of promising unprecedented opportunities on the one hand, yet financial instability, “exclusion” of the poorest, and widespread anxieties on the other. He believed there is a unique opportunity to: (i) identify the recent dynamics to improve the well-being of mankind; (ii) recognize that poverty is the “ultimate threat” to stability in a globalizing world; and (iii) reinvigorate multilateralism.

Among the positive dynamics, he stressed the emergence of a new paradigm of development. He believed globalization, if properly handled, could become a major opportunity for progress in the world. A progressive humanization of basic economic concepts is taking place with an increasing recognition that growth alone is not enough. He stressed the need to pursue high-quality people-centred sustainable growth, which promotes protection of the environment, and respect for national cultural values. He advocated a slimmer yet more effective State, with stable and strong institutions for responding to the problems of modern economies. There is a mutually reinforcing relationship between macroeconomic stability and structural reform on the one hand, and growth and the reduction of poverty and inequality on the other. He called for concerted action to transform globalization into an effective instrument for development by responding to the greatest concern of our time, namely poverty.

Mr. Camdessus stated that the widening gaps between rich and poor within nations, and between the most affluent and most impoverished nations, is morally outrageous, economically wasteful, and potentially socially explosive. He suggested

means for sharing the dynamism of development: through information technology with its extraordinary potential for education, culture and development - which offers the possibility of eliminating forever the knowledge gap between the rich and poor countries; and through globalized markets, which enable mobilization and allocation of resources rationally, including to poorer countries, provided a conducive environment is created there. Finally, he recognized that the poorest countries themselves are more determined than ever to “own” their policies and to base them on human development.

He called upon the North and the South to mobilize all their resources, to implement the pledges adopted on the occasion of the United Nations conferences of the 1990s to reduce by half, by the year 2015, the number of people in absolute poverty; and to promote social objectives particularly those concerning universal primary education, the fight against hunger, gender equality, child mortality, reproductive health, maternal mortality and the environment.

Mr. Camdessus suggested that development partners could support the efforts of the poorest countries by: (i) assigning the highest priority to providing unrestricted market access for all exports from the poorest countries, including the highly-indebted poor countries (HIPC), so that these countries could begin to benefit more deeply from integration into the global trading system; (ii) working strenuously to encourage flows of private capital to the lower-income developing countries, especially foreign direct investment with its twin benefits of new finance and technology transfers - an area in which UNCTAD is providing an outstanding contribution; (iii) backing pledges to reduce poverty, with financial support, in particular by increased official development assistance and debt relief; and (iv) ensuring that multilateral organizations focus on poverty reduction as an explicit objective of their programmes. In addition, concrete actions should be taken to contain the arms trade and military expenditures.

A reinvigorated multilateralism implies extending the vision for the world's economic and financial system to cover not only trade and payments, but the whole gamut of international transactions to create an open, competitive, and stable international environment, where not only capital, but also investment and people can move more freely and can contribute better to universal progress.

Referring to the liberalization of trade, payments and capital movements, he stated that these were market-enhancing measures aimed at creating conditions that were conducive to the participation of the private sector (domestic and foreign) in an ever growing number of countries. These measures should be supplemented by work to make sure that markets – both national and international – were efficient, stable and transparent, to serve and not endanger, human development. He also referred to the work in progress on the architecture of the international financial system. Multilateralism, he said, is the only way to address the broader issue of world economic governance, and to find a global response to inescapable global problems.

For this purpose, he felt that institutions that could facilitate joint reflection, at the highest levels were required, to ensure a better representation of countries in global

economic decision-making. He suggested replacing G7/G8 Summit Meetings with a meeting of heads of State and Government of the countries which have Executive Directors on the Board of either the IMF or the World Bank (approximately 30 at any one time). Such meetings would also be attended by the Secretary-General of the United Nations and by the Heads of relevant multilateral organizations. This would offer a way of establishing a clear and stronger link between the multilateral institutions and a representative grouping of world leaders with unquestionable legitimacy.

Ensuing discussion:

It was pointed out that we already have the institutions we need for international action on development - the IMF, the World Bank, the United Nations (including UNCTAD and the ILO) and the World Trade Organization. But for them to work better in the fight against poverty, enhanced cooperation at the global level should take place. At the global level, these institutions should: (i) deal with managing systemic crises, (ii) make progress with comprehensive international programmes which lift the burden of debt; (iii) launch a new comprehensive round in a reformed WTO which reflects the interests of all its 135 members and which provides for capacity-building to enable all countries to participate actively in negotiations and adjust to trade liberalization.

The view was expressed that UNCTAD could make a significant contribution to successfully putting into practice principles relating to, *inter alia* macroeconomic stability and open markets, sound domestic institutions, and implementation of a wide-range of policies to ensure that growth benefits the poor. Its analytical work, expert meetings and technical cooperation programmes are valuable. And at the global level, it could play its part in building the capacity of developing countries to participate in the WTO, in order to reap the benefits of trade liberalization.

A question was raised regarding the kind of Fund needed to address unsolved issues, such as poverty, and new challenges, such as ageing populations. Doubts were expressed about proposals for building up expertise that is already available in other institutions. Close cooperation with the World Bank was a better way to integrate the poverty reduction efforts of these institutions. The suggestion for Fund-supported contingent credit lines was called into question, due to their lack of conditionality and the negative incentive for private-sector involvement. It was felt that equally important was the need to establish clear principles for dealing with crisis situations, including collective action clauses, rollover options and debtor-creditor committees.

In his reply, Mr. Camdessus welcomed the debt relief initiatives taken by the United Kingdom and urged other countries to follow that example. He also encouraged countries to eliminate export credit coverage for arms sales to poor nations. On the issue of what kind of Fund would be best suited to address future problems, he stressed the importance and validity of the original articles of the IMF's founding agreement, and its objectives as laid out in Article 1. The IMF was a continuously self-reforming institution whose core responsibilities were the surveillance of economic performance around the world and the optimization of economic policies (i.e. issues that would go beyond the

original balance-of-payments issues addressed by the Fund). The new architecture required to fulfill this task must necessarily involve the private sector. With regard to the review of IMF facilities, Mr. Camdessus called for a permanent adaptation based on needs.

In further comments, the importance of timely action was stressed, especially with regard to debt relief and the launching of a new round of multilateral trade negotiations, which should effectively deal with trade distortions as one of main barriers to development. In dealing with these, a sense of priority is crucial, and should include a better understanding by civil society of the North about the concerns and demands of developing countries, as well as a commitment to North-South solidarity. In addition, the image of the Fund as an instrument of marginalization and the validity of the "Washington consensus" for combating poverty were discussed. The point was made that the principle of a "Fund with a human face" could be realized through several measures: democratization of the decision-making processes in the Fund, the World Bank and the WTO, reflecting in, essence, the need for a G-181; improved market access and special differential treatment for developing countries in the WTO; and special attention to the vulnerability of small island and weak developing economies. With regard to the latter, the accuracy of certain yardsticks used to assess poverty levels and the openness of economies was questioned. Finally, the IMF's perceived role in creating inequality and fostering poverty and, more recently, in fuelling the Asian crisis was criticized.

In his reply, Mr. Camdessus reiterated the need for rapid action with regard to debt relief. Pointing to the recent successes with Mozambique and Zambia (and possibly Tanzania), he emphasized the need for investing saved resources into the social and human resource infrastructure. He rejected as unjust, the appearance of the Fund as a promoter of poverty and inequality. The example of the 80 countries that host IMF programmes speak for the Fund's positive role. The prevention of inflation and macro-economic instability are at the core of growth and development. However, the new financial architecture should serve social needs.

Referring to the issue of democratization of the Fund's decision-making process, Mr. Camdessus pointed out that all important decisions of the Fund in recent years have been taken unanimously. However, the Fund initiated at the beginning of 1999 a review of the quota system so as to ensure that it reflects the real economic strength of its members. Concerning the Fund's role in the Asian crisis, he said the rapid recovery of most Asian economies would not have been possible without the IMF's actions. While exchange controls are compatible with the Fund's articles, they are not a panacea for solving balance-of-payments problems. Reversing disorderly liberalization and rapid closure of unsound financial institutions are equally important in bringing about recovery.