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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **OWEN S. ARTHUR**,
Governor of the Fund and the Bank for **BARBADOS**,
on behalf of the Joint Caribbean Group,
at the Joint Annual Discussion

Address by
The Rt. Hon. Owen Arthur
Governor for Barbados
On Behalf of Caricom Countries

Mr. Chairman,

I have the honour to speak on behalf of the Caribbean Community countries.

I join my colleagues in expressing appreciation for the excellent arrangements, which have been made for these meetings by our institutions.

Mr. Chairman, living conditions for a significant portion of the population of East Asia and Eastern Europe have worsened significantly since last we met in Hong Kong; and actions in a number of the major economies in Latin America to defend against the worst effects of capital movements raise the prospect of similar involuntary adverse effects on living standards in the central and southern parts of our hemisphere.

There is nothing that gives hope for short or medium-term optimism, except that we know in general what steps need to be taken in order to prevent this continuing crisis from turning into catastrophe.

What we do not yet have is a clear sense that an appropriate programme has been prepared and is being implemented.

We are very supportive of the efforts which the international financial institutions and the industrial countries have taken to assist those countries which are facing systemic risks and major liquidity difficulties . We note the speed with which substantial sums have been mobilised to attend to financial crises in the affected economies.

We will also support the extension of such rescue efforts to other economies which, in the immediate future, will face major liquidity difficulties. For this reason our region is concerned about the lack of progress towards agreement on an increase in IMF quotas, and join others in urging the United States and other members to agree to the increased quota so that the IMF's ability to respond to renewed crisis is not jeopardised by its own precariously low liquidity position.

Commendable as these actions are, there are however a number of issues which we regard as critically important.

First, the overriding purpose of international action at this time must be to avoid a global recession.

There are sufficient parts of the World economy that are still strong enough that concerted action at expansion and reflation will prevent a slide into a global recession with its dire consequences for all of us, but especially those who trustingly followed the technical advice we have consistently been offered.

Secondly, the need to reform the architecture of the international monetary and financial system is accepted by us as being urgent and timely, but we submit that it must include representation and participation from all of us.

In this age of truly global interdependence, manner matters as much as measures.

The practice and the politics of exclusion and dictation must cease. The notion of partnerships which is now being promoted so strongly by the Bank and the Fund must become a reality.

Mr. Chairman, we who live in very small states have a particular concern over this issue. We feel very strongly that there has been a tendency for the staff in the institutions to analyse our circumstances as if they are no different from those of large countries, with the same endowment range, production flexibility, institutional depth and adjustment options.

We feel also that we have especially been victims of a one size fits all” approach to policy specification, implementation and evaluation.

We feel that the time is ripe for a major review of the rigid eligibility criteria for assistance and the almost theological approach to programme design by the institutions; and for a greater sensitivity to the multi-dimensional and complicated aspects of the

social and economic transformations, tradeoffs and adjustments required to translate programmes into sustainable development.

Above all, we share the views of those who suggest that IMF and Bank programmes in the past have consistently ignored the impact of structural adjustment on the poor. The Caribbean as whole wishes me to say that the reform of the financial architecture of the international financial institutions must treat to this as one of the major deficiencies which have to be remedied.

The attention of the global community has necessarily been riveted on solving the extraordinary financial crises in Asia, Russia and now Brazil.

It is however my region's view that preoccupation with this crisis must not divert the international financial institutions from dealing with their core functions, nor of so extending their resources as to severely impair their own solvency and viability.

It is therefore crucial that the IMF continues to successfully perform its core function of meeting the short term liquidity requirements of countries affected by the normal and expected volatility in the international markets for goods and services, and that the World Bank stay focused on providing development finance to eradicate poverty and to uplift global economic development.

These institutions should not now be transformed into institutions geared primarily at bailing out wealthy investor banks while expecting poor developing countries to live entirely at the vagaries of the market.

On a related matter, while we welcome the HIPC initiative and note that one of our countries, Guyana, will soon be a beneficiary, we have no doubt that the overloading of this necessary initiative with excessive and unattainable conditionalities is a serious drawback that has slowed and will continue to slow implementation and this needs to be addressed.

In our statement last year my colleague from The Bahamas pointed to the need for safeguards against the destabilising effects of capital movements, and cited an especial need for safeguards on capital account liberalisation, particularly as regards policy and institutional sequencing, and for technical assistance to accommodate and manage capital flows in line with our broad development objectives.

I will use this occasion to reiterate the Caribbean's conviction that the liberalisation of capital movements must be well planned and supported by a strong banking system and supervisory framework. Related to this, we welcome the initiatives by the Fund in the areas of improved surveillance, improving transparency and developing international standards in the areas of monetary and fiscal policy. As far as possible we will attempt to adhere to these standards, and consider the guidelines useful as we develop institutional capacity in these important areas.

We especially welcome the newly formed unit of the Bank – the Disaster Management Facility.

Even as I speak to you the special vulnerability of some of our very small states continues to be a matter of enduring financial and economic distress to these countries on a scale that is not dissimilar to the that arising from damage done by volatile capital flows to some economies in Asia.

I wish to highlight in this regard the plight facing St. Kitts and Nevis and Antigua and Barbuda arising out of the passage of the recent hurricane through the Northern Caribbean. Both of these countries were still repairing damage done by the last hurricane, using loan funds from our regional development bank, when they were hit three weeks ago.

I had the honour of chairing a Commonwealth Small States Ministerial Group, which met at the highest level with officials of the Bank and Fund. Out of those meetings it was agreed that the two institutions together with the Commonwealth Secretariat will support a Task Force to undertake a detailed examination of the special circumstances facing very small economies with a view to devising a universally acceptable vulnerability index and designing more appropriate and implementable programmes that fit our special circumstances.

This for us represents a very significant step. We have been for sometime been articulating the need for this work and such an approach by the Fund and the Bank. We have every expectation that on this occasion the Bank and the Fund will deliver on their promise.

The state of the world economy does not allow me to end this statement on a happy note, Mr. Chairman. We in CARICOM are heavily dependent on sustained good economic performance in the rest of the world. Even before the start of the current world crisis, many of our own economies were already in crisis because of the changes to the rules of the trading game. Mr. Chairman, those economies are still in crisis, and are facing the prospect of being engulfed in the larger problem. More than ever now there is urgent need for those who regard themselves as leaders of the world economy to demonstrate that leadership.

We look also for a new special spirit of innovation and sensitivity in the management of the affairs of the Bank and the Fund.

In the final analysis this will be the standard by which the Caribbean will judge the outcomes of this meeting.