

# INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

## FIFTIETH MEETING OF MINISTERS

### Communiqué

**April 24, 1994**

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs held their Fiftieth Meeting in Washington, D.C. on April 24, 1994. Mr. Willy Waldemar Zapata, President of the Banco de Guatemala, was in the Chair, with Mr. N'goran Niamien of Ivory Coast as First Vice-Chairman and Mr. Makhdoom Shahabuddin of Pakistan as Second Vice Chairman. The meeting was attended by Mr. Michel Camdessus, Managing Director, International Monetary Fund, Mr. Lewis T. Preston, President, World Bank, Mr. Rudolf Hommes, Chairman, Development Committee, Mr. Roger Lawrence, UNCTAD, Mr. G. K. Helleiner, G-24 Research Coordinator, Mr. Cristián Ossa, United Nations, Mr. Y. Seyyid Abdulai, Director-General, OPEC Fund for International Development, Mr. Osama Faquih, President, Islamic Development Bank, Mr. Oscar de Rojas, Latin American Economic System, Mr. Isaac Cohen, ECLAC, Mr. Jannes Hutagalung, Indonesia, Mr. M'hamed Sagou, Morocco, and Mr. Abdelaziz N. Alorayer, Saudi Arabia. Mr. Chen Yuan, People's Republic of China, attended as invitee.

The meeting of the Ministers was preceded on April 23, 1994 by the Sixty-Third Meeting of the Deputies of the Group of Twenty-Four, with Ms. Antonieta de Bonilla of Guatemala as Chairperson, Mr. N'Golo Coulibaly of Ivory Coast as First Vice-Chairman, and Mr. Azizali Mohammed of Pakistan as Second Vice-Chairman.

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### **I. World Economic Situation and Outlook**

1. Ministers welcomed the progress achieved in implementing key elements of the "Declaration on Cooperation for Sustained Global Expansion," adopted at the April 1993 Interim Committee meeting. They noted the encouraging growth prospects of the world economy and emphasized that such a prognosis reflects the recovery in several industrial countries, as well as steady growth in a number of developing countries, and the easing of recessionary trends in economies in transition. However, they stressed the downside risks associated with these prospects, particularly since the economic recovery in continental Europe and Japan remains hesitant, and considerable uncertainties continue to surround the prospects of most countries in the former Soviet Union. They also underscored the fact that much remains to be done to improve the prospects of many developing countries where living standards have continued to decline for

almost two decades.

2. Ministers emphasized that, to consolidate the prospects for sustained economic growth, policy coordination efforts must be strengthened in order to ensure an appropriate macroeconomic policy mix and the implementation of much-needed structural reforms in the industrial countries. Accordingly, they called on these countries to persevere with their fiscal consolidation programs, to impart greater flexibility into labor markets to bring down unemployment to acceptable levels, and to uphold multilateral principles in their foreign trade policies. They emphasized that credibility in the conduct of these policies would be crucial to maintaining price stability, raising the level of confidence, and helping to bring real long--term interest rates to levels conducive to stimulating global economic growth. They stressed the importance of effective Fund surveillance over the formulation and implementation of such policies.

3. Ministers pointed out that the economic prospects of developing countries are more favorable largely as a result of their own efforts toward macroeconomic stabilization and structural economic reform. Despite these efforts, many developing countries are still facing serious difficulties in achieving the goals of macroeconomic stability and sustained economic growth. Ministers also noted that for a number of countries, notwithstanding improvements in their external position, the external debt service continues to place a heavy burden on the fiscal balance. Accordingly, they called on the international financial community to strengthen its support for the economic reforms being implemented in developing countries, particularly in the form of additional concessional assistance, improved access to export markets, and the furtherance of new initiatives for the relief of external debt, including the outright reduction of the stock of debt.

4. Ministers expressed concern about the continued economic difficulties facing many developing countries, particularly those in sub-Saharan Africa. They noted the important step taken by the African countries of the franc zone to broaden the scope of their adjustment process through the change in the parity of their currency vis-à-vis the French franc. While recognizing that this action, in tandem with other measures, should improve the economic prospects of these countries, Ministers stressed the urgency of additional efforts by the international financial community to reduce more significantly the debt stock of these and other low-income heavily indebted countries, and to increase its financial assistance on concessional terms.

## **II. SDR Allocation**

5. Ministers reaffirmed their strong support for an SDR allocation in the light of the long-term need to supplement existing international reserves, and they endorsed the Managing Director's position on this issue. They noted in particular that an allocation of SDRs will help to attenuate the acute stringency of international reserves facing economies in transition and many developing countries and thus to reduce the risks that constantly jeopardize the success of their stabilization programs. They pointed out that a new allocation would help offset the decline in the SDR's already low relative importance as a reserve asset of the international monetary system, and would address the problem associated with the fact that a large number of members have not participated in previous allocations.

6. Ministers noted that the scheme of cofinancing trust accounts (CTAs), as proposed by the Fund's Managing Director, deserves serious consideration as a means of channeling resources on a voluntary basis, including those from an SDR allocation, toward supplementing the Fund's financial operations.

### **III. Uruguay Round**

7. Ministers expressed their satisfaction with the signing on April 15, 1994 of the Uruguay Round Final Act, which will give an impetus to international trade and improve the prospects for world economic growth in a framework of greater transparency in the international markets for goods and services. They urged governments to faithfully carry out their multilateral commitments. While emphasizing that tangible benefits can be expected in the medium and long term, Ministers recognized that during the interim period some developing countries would be adversely affected. They were concerned, in particular, that a number of developing countries whose resource base is not conducive to a rapid transformation process will suffer adverse consequences during this transition, especially where they are net food importers or where their exports lose the trade benefits afforded by bilateral and multilateral agreements. Ministers reiterated their call for specific offsetting measures for these adversely affected countries, including food aid and financial and other appropriate assistance. Ministers also expressed concern about the growing tendency of some industrial countries to use environmental and social justifications for nontariff trade restrictions against developing country exports.

8. Ministers took the view that the new world trade environment will require a substantial renewed effort of economic transformation in most developing countries, which would entail a period of transition toward restructuring their production processes on the basis of increased economic openness and more efficient allocation of resources. In that regard, they reaffirmed the intention of the developing countries to rise to the challenge of economic transformation, which will be required to compete effectively in international markets. They urged the Bretton Woods institutions, consistent with the purposes for which they were founded, to support the economic transformation process in the developing countries through appropriate and timely financial and technical assistance.

9. Ministers pointed out that the establishment of the World Trade Organization (WTO), given the responsibilities entrusted to it, will have major implications for multilateral trade -- including the desired elimination of unilateral trade restricting measures and the settlement of disputes -- and for cooperation with the Bretton Woods institutions. This cooperation should make it possible to achieve more appropriate coordination between trade and other economic policies.

### **IV. Commodities**

10. Ministers expressed their concern about the prospects for, and high degree of volatility of, commodity prices in the international market. They observed that the downward trends in the prices of a large number of products are unlikely to be reversed. Ministers also noted that developing countries, in order to become less vulnerable to volatile and declining commodity prices, have been implementing policies to diversify their export base. At the same time, many

such countries are seeking to increase the efficiency of their traditional export sectors by making optimal use of their comparative advantage. They observed, however, that for reasons beyond the control of these countries -- in particular, the protectionist practices implemented by industrial countries -- such policies have had varying degrees of success. In this context, they pointed out that the continuing application of subsidies and taxes by a number of industrial countries distorts international market shares and disrupts the process of domestic resource allocation based on comparative advantage. The Ministers called on industrial countries to widen and deepen the process already initiated with the Uruguay Round of reducing such distorting trade practices. They also called on the international community to further support developing countries' economic policies by means of improved market access for their exports.

## **V. Recent Trends in the Transfer of Resources for Development**

11. Ministers expressed concern about the unfavorable outlook for official development assistance (ODA), which remains well below the internationally agreed target of 0.7 percent of industrial countries' GNP. Ministers urged industrial countries to give high priority within their budgetary processes to reaching that target.

12. Ministers were encouraged by the progress achieved in enhancing the concessional mechanisms of the Fund and the Bank, including the expansion and extension of the Fund's enhanced structural adjustment facility (ESAF), which is a useful instrument for assisting low-income countries undertaking economic reforms, the conclusion of the Tenth Replenishment of the International Development Association (IDA), and the replenishment of the Global Environment Facility (GEF). At the same time, they expressed concern about the largely insufficient level of funding provided for both the IDA and the GEF and the reduction, in real terms, of financial support for the Special Program for sub-Saharan Africa (SPA3). In that regard, they called on donors to make supplementary resources available for SPA3, as well as for the IDA and the GEF, in order to meet the agreed objectives of reducing poverty and promoting sustainable development in the developing countries.

## **VI. Population**

13. Ministers underscored the importance of the interrelationship between population and sustainable development, which represents the main theme of the United Nations Conference on Population and Development to be held in Cairo, Egypt, in September 1994. They took note of the paper on Population in Developing Countries, prepared by the staff of the World Bank for presentation to the Development Committee. Ministers considered that population policy issues are of a long-term nature and thus need to be addressed in a broader development context. However, they observed that, given that these issues have important macroeconomic implications, it is necessary that international financial and development institutions strengthen their assistance in the areas in which they have expertise, such as fiscal and budgetary management, education, health, basic social services, and physical infrastructure. Ministers also urged multilateral assistance for countries with a large refugee population.

## **VII. Fiftieth Anniversary of the Bretton Woods Institutions**

14. Ministers looked forward to examining the suggestions for improving the functioning of the international monetary and financial system and its institutions made at the Group of Twenty-Four technical conference held in Cartagena de Indias, Colombia, April 18-20, 1994. They expressed their profound appreciation to the Republic of Colombia for hosting the conference and to all who contributed to its financing. They recognized the important efforts of the Research Coordinator of the Group of Twenty-Four and other participants who contributed to the success of the conference. Ministers agreed that suggestions made at the conference will make a valuable contribution to the discussions at the next ministerial meeting.

15. Ministers stressed that the prime objective of the fiftieth anniversary should be the mobilization of all efforts by the international community in support of the cause of development and the reduction of disparities between developed and developing countries.