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Statement by the Hon. **HOSSEIN NAMAZI**,
Governor of the Bank for the **ISLAMIC REPUBLIC OF IRAN**,
at the Joint Annual Discussion

In the Name of Allah

Statement by H. E. Dr. Hossein Namazi
Minister of Economic Affairs and Finance
Islamic Republic of Iran

Mr. Chairman, Mr. Camdessus, Mr. Wolfensohn
Distinguished Governors, Ladies, and Gentlemen

1. We are meeting at a time when the risk of a major slowdown of the world economy has increased. It is, therefore, imperative that the Bretton Woods institutions adopt a very coherent and comprehensive approach to prevent the further widening and deepening of the recent crises. It is encouraging that the Bretton Woods institutions are actively examining their policy responses to recent crises, in particular the financial turmoil in Southeast Asia. It is hoped that these reviews will render their assessment of policies for stability and growth less deterministic. Indeed, a review of the doctrine that there is only one unique set of "good" policies that generate stability and growth, is in order. It seems more reasonable and empirically valid that countries--with different economic structures in different stages of development, with varying degrees of constraints on their infrastructure and institutions and with different capacities to respond to external shocks-- may adopt different but effective paths to economic stability and growth. The efficiency and consistency of these paths should be assessed against the unique position of each country and the goals it has set for itself rather than forging one-size-fits-all policies.

2. The Bretton Woods institutions seek to adopt a unique set of "good" or "sound" policies to bring about economic convergence in developing countries. In this context, an essential point is that the behavior of developed countries in the developing world is not being assessed properly. One of the main reasons behind the prevailing financial crises in certain of the developing countries is the unfavorable treatment by the developed countries toward the developing world, once policy reforms recommended by the Bretton Woods institutions are in place.

3. We commend the IMF and the World Bank for the progress made thus far with the initiative to assist highly indebted poor countries (HIPC) and post-conflict societies. It is hoped that these initiatives will be further strengthened and broadened to provide a reasonable chance for these countries to benefit from the globalized economy. We continue to emphasize our strong support for the Enhanced Structural Adjustment Facility (ESAF) and urge immediate action to ensure adequate funding for this highly worthwhile program.

4. It is particularly critical that an efficient and patient transitional arrangement, along with the provision of adequate financing, be designed to provide strong support for the

IMF's encouragement of an orderly process of capital account liberalization. The IMF's experience with liberalization of current accounts, particularly over the last five years, should prove highly valuable in assessing the level of financial and technical assistance, the length of the transition period, and the approval process needed to permit countries to minimize the risk of disruptive shocks as they open their capital accounts. To this end, the Executive Board of the IMF must carry on very careful deliberations in designing an effective and protective framework within which members can undertake capital account liberalization at their own pace and with full confidence that strong safety nets are in place should their economies be subjected to shocks in the process.

5. We reiterate our support for IDA replenishment and urge rapid approval by the members of the quota increase and the special allocation of Special Drawing Rights . It must be noted, however, that even these additional resources may not prove adequate for the needs of the global economy. The large shareholders should explore all possible ways and means of strengthening the financial resource bases of these institutions to allow them to carry out their mandates. It was, after all, the intent and the purpose behind the creation of these institutions that they would be in a position to prevent and/or resolve crises before they gather enough momentum to pose serious risks to the stability of the international economic and financial systems.

6. I deem it appropriate here to point out that "economic issues" have been the main focus of the founders of the Bretton Woods institutions. It is, therefore, imperative that these institutions, by adhering to the principles explicitly stipulated in their Articles of Agreements, concentrate their efforts on insuring that those principles materialize. Political considerations that interfere in the decision-making of the Bretton Woods institutions leads to discriminatory treatment against some member countries, which is neither acceptable nor in line with the objectives of these institutions.

7. The recent crises have led to a collapse of the prices of oil and other commodities. The adverse impact on our economy has been severe at a time when stabilization policies were paying dividends in terms of lower inflation. In response, we have taken steps to adjust to the new market realities. For the medium term, we intend to follow a reform program announced by President Khatami in August 1998. This program provides a comprehensive solution to attain greater social justice and economic recovery. Among the objectives of this program are:

- greater transparency in the macroeconomic system and regulatory frameworks;
- budget reforms;
- tax reforms;
- downsizing of the government's role in economic activities and privatization of government enterprises;
- promotion of private investment;
- dismantling of monopolies and promoting of competition;

- price liberalization in all but a handful of products for which the government will subsidize specific quantities; and
- a social safety net to protect those most vulnerable.

Once fully operational , the program will pave the way for the full integration of the Iranian economy in the global system.

Thank you.