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WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Rt. Hon. **SIR WILLIAM F. BIRCH**,
Governor of the Fund for **NEW ZEALAND**,
at the Joint Annual Discussion

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I am pleased to be speaking at this annual meeting of the World Bank and the IMF in very different circumstances to those of last year. Twelve months ago, this felt like a crisis meeting.

It was crucial that we endorsed open market fundamentals, and that we resisted the urge to return to protectionism.
The international institutions held their nerve, member nations held their focus, and we are better off for it.

Last October, consensus forecasts were for New Zealand's top 10 trading partners to grow by only 1.4% in 1999. Now, those forecasts are more than double at 3.2%. Given our top four trading partners comprise the US, Australia, the EU and Japan, that's a good sign that the world economy is improving, and it's definitely good for New Zealand.
The Article IV Staff Report on NZ publicly released on 16 September projects growth of 3.3% in our economy for the next two years. We are confident those forecasts can be bettered.

New Zealand is one of a growing number of countries participating in the pilot program where the IMF staff report is made public. The release of staff reports will increase the need to have confidence in and justification of advice by the Fund. Similarly, if a country is not following advice recommended by the IMF, the authorities of that country will have to justify their reasoning to the public.

The advantages of open disclosure are equally true with respect to World Bank advice. There is the potential for publication to reduce the frankness of discussions and the candour of the Staff Reports. However New Zealand's experience with giving policy advice that is subject to the freedom of information laws is that transparency does not substantively alter advice — rather it increases incentives for advice to be of the highest quality.

And the sound policies which transparency encourages have real pay offs for people. Without reform, the impact of the Asian crisis on New Zealand would inevitably have been high interest rates, serious bankruptcy, and massive unemployment.
A policy framework of five principles:

- An open and competitive economy
- low inflation
- quality fiscal policy
- flexible labour markets
- and low-taxes

has allowed the economy to cope with shocks and to keep making progress. Our own bounce back from the Asian crisis has been rapid and sustainable.
Economic reform has made New Zealand the master of its own destiny. Our future is no longer tied to any one market or to surviving any particular shock. Our future is with the world.

As a small economy, our domestic market is limited to 3.8 million people. But no matter the size of any economy, the global market is the real prize for us all.
That's why I was so pleased with the outcome of the recent meeting of APEC Leaders in Auckland.

In New Zealand, APEC Leaders re-confirmed their commitment to achieve their goals of free and open trade and investment for the developed APEC economies by 2010 and the developing ones by 2020. Many of those economies, including our own, are already making substantial steps to remove all tariffs.
APEC wants to:
Conclude an agreement in the WTO this year on the Accelerated Tariff Liberalisation initiative, which includes fish and forest products, and
Launch at the Seattle WTO ministerial a new round of multilateral trade negotiations for comprehensive market access including the abolition of export subsidies. That is to be concluded in three years.

In conclusion, I'd like to make the following observations.
First, despite the severity and depth of the recent economic crisis, few if any economies resorted to protectionism to try to stave off its impacts. On the contrary, many responded by maintaining if not advancing their efforts to reduce barriers to trade and investment flows.

Second, it showed the need for greater transparency and openness; of markets, of policy settings, of rules and regulations, of standards, and of performance against them - including improved reliability and timeliness of information.
Accountability is fundamental. If banks can make bad lending decisions with relative impunity from financial consequences, there will be no end to bad loans they make.
The IMF has to be more than a financial bank. It should also be a Knowledge Bank—a provider and facilitator of surveillance, expert advice and even more important, an assurance of transparency.

Third, countries faced with economic challenges can accomplish much on their own, but much more in co-operation with their colleagues. The crisis mobilised the international community like never before, and the fruits of that co-operation are already evident in the improved economic performance of many of the most affected countries.
But the events of last year and the challenges we face today serve to remind all of us there are no easy answers to sustained economic performance and there will always be risks.

Fourth, and finally, for the poorest and most vulnerable in our societies the continuing challenge is to work to ensure that they too benefit from sustained economic growth - in terms of their living standards, health, education and overall quality of life. Building stronger economies through open and efficient markets is ultimately directed at that goal.