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Statement by the Hon. **JEAN-CLAUDE TRICHET**,  
Alternate Governor of the Fund for **FRANCE**,  
at the Joint Annual Discussion

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We are meeting today as the recovery of the world economy is progressively under way. However, this recovery remains fragile, imbalances have not vanished, some emerging countries are still facing serious difficulties and geopolitical uncertainties remain, in spite of the end of the war in Irak.

In this context, the international community should pursue its efforts to strengthen crisis prevention and resolution. Moreover, developed countries should remain determined to promote a strategy of sustainable development for the benefit of all.

**I/ Firstly, recovery is under way, but imbalances persist.**

Prospects for a recovery are today more favorable than during our previous meeting last Spring. Receding geopolitical tensions and improving market conditions have largely contributed to this improvement.

However, returning to a strong and sustainable growth path imposes tackling persistent imbalances in a decisive manner.

Against this background, the increase in the deficit of the current account of the most industrialised countries is, on the whole, a source of concern since it implies that the richest countries are absorbing a growing portion of the savings of the rest of the world.

Resorbing these imbalances is essential. It calls for an in-depth action. Structural reforms should be one of the top priorities in industrialised, emerging and transition countries. It will contribute to strengthen the growth potential of the world economy, which is also conditioned by sustainable fiscal policies in the medium term.

**II. Secondly, the international community should maintain its efforts aimed at improving prevention and resolution of financial crises.**

First, let me highlight the essential contributions of the Independent Evaluation Office of the IMF policies. The recommendations of the first three reports have already resulted in a fruitful exchange of views and in concrete operational progress. This work should continue to contribute to our collective reflection and to improve the functioning and efficiency of the Fund.

Let me raise three issues.

First, strengthening surveillance and crisis prevention is a priority.

Since the Asian crisis, the IMF has allocated significant resources to reinforce the crisis prevention framework. The work undertaken in recent months to improve surveillance tools is encouraging. It has induced a clarification of the objectives and the scope of IMF surveillance and an improvement in its modalities.

Additional progress is possible in various areas : analysing public and external debt sustainability, identifying vulnerabilities of emerging countries, developing a balance sheet approach and monitoring the stability of the financial sector.

That being said, I welcome the IMF's new orientation of the ROSC/FASP process towards greater realism and efficiency.

Concerning surveillance in program countries, we should aim at a greater operational autonomy of surveillance, so as to benefit from a fresh perspective. However, it should not lead to an institutional separation.

Better crisis prevention calls for greater transparency. I welcome the recent agreement on presumption of publication of Article IV reports and financing programs, and the enhanced provisions for exceptional access.

Second, we should continue our efforts to design and develop instruments for debt restructuring.

The increasing inclusion of Collective Action Clauses in international bonds, since the publication of the G10 report in March 2003 has represented a recent important step forward. I welcome the heightened openmindedness of issuers and market participants to this development.

Furthermore, I believe that it would be useful to continue reflecting on a Code of Conduct which would permit issuers, the private sector and the international community, to improve predictability, notably in difficult situations or crises. I encourage the issuers and the private sector to work informally under the aegis of G20.

These efforts, of course, are not substitutes for other work engaged on crisis resolution, such as transparency, aggregation, intercreditor equity, which should remain on the IMF agenda.

Third, I would like to underscore that increased transparency and better governance are, in my view, a necessary condition for a smooth functioning of the international financial sector.

In this context, I welcome the revision of the 40 FATF recommendations on the fight against money laundering, which were finalised at the Berlin meeting last June.

The agreement by many countries to support the eight special recommendations on terrorism financing is also encouraging.

I welcome progress achieved in the pilot program of assessments in these fields, led jointly by the IMF, the World Bank and the FATF.

The widening of the scope of assessment to law enforcement issues is necessary, although we have to carefully assess implications in terms of human and financial resources.

3/ We should forcefully promote a sustainable development and a reduction in poverty throughout the world.

In 2002, Monterrey and Johannesburg summits provided the opportunity for industrialised countries to reaffirm their solidarity with developing countries. France is fully involved in this effort. I recall that the President of the French Republic announced in Johannesburg an increase in ODA which will reach 0.5% of GDP in 2007, then 0.7% of GDP in 2012. The French government is open to new ideas to significantly raise ODA, in particular the initiative of an international financing facility.

The international community, as a whole, should find solutions to smoothly conciliate globalisation and growth. Exports from developing countries should have a larger access to markets of developed countries. A better integration of the poorest countries in international trade requires the creation of mechanisms to compensate for the short-term negative impact of trade openness. These challenges call for a permanent and exigent dialogue.

In this context, the failure of the Cancun discussions is disappointing. However, it should not impede progress towards the Doha objectives. We still hope that an agreement might be reached before end 2004.

The Bretton Woods Institutions should strive to fully implement the HIPC process. I regret that a still insufficient number of countries have reached the decision point and the completion point.

France supports a more generous methodology for the calculation of the additional debt reduction at completion point (the so-called "topping-up").

Given the remaining divergences on this issue, we call on the international financial institutions to work on a proposal, which would link topping-up and governance, so as to combine generosity, selectivity and efficiency of the aid provided.

Finally, I strongly believe that the Facility for Poverty Reduction and Growth should be fully funded in the medium term.

Returning to a sustainable growth path requires that we decisively implement the structural reforms needed for our economies. I reaffirm my trust in the Bretton Woods institutions and in particular in their Managing Director and President, Horst Kohler and Jim Wolfensohn, to continue to remarkably manage their institutions.