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Statement by the Hon. **MICHAEL CULLEN**,
Governor of the Fund for **NEW ZEALAND**,
at the Joint Annual Discussion

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Fellow governors and delegates, I am again pleased to participate in this meeting. I would like to begin by thanking the United Arab Emirates authorities for the excellent arrangements in organising this meeting.

Multilateral organisations such as the Fund and the Bank can make sizable and lasting contributions to many of the problems we face.

Globalisation and Trade

Globalisation takes many forms. One is from increased flows of trade, which assist the development of poor countries, emerging markets and developed countries. Liberalising trade requires a multilateral effort, and I express my support for the leadership from the Bank and the Fund in the public and persuasive statements on trade liberalisation in the Doha round.

The outcome from Cancun was at best, disappointing and, at worst a disgraceful failure of the common will to make essential progress. It will take time to make gains after losing momentum at Cancun. There is a profound contradiction in the efforts we make: here, in Dubai, we will talk about progress towards the Millennium Development Goals; at Cancun we retain trade barriers that inhibit growth in poor countries.

Developing countries need support to take advantage of trade opportunities where they arise, and New Zealand is committing resources to trade-related capacity building and removing supply side constraints. However, this work will be wasted unless there is movement on trade distortions. Subsidies and quotas lock in constraints to trade and the development of poor countries.

There have been calls for an increase of aid of some US\$16 billion. This is only four to five percent of the total spent on agricultural subsidies by the world's richest countries.

As the finance minister of a small developed nation substantially dependent on unsubsidised agricultural exports, I find it hard to argue that my country should greatly increase aid while we, along with the world's developing nations, face unconscionable subsidies, along with tariff and non-tariff barriers to agricultural trade. Demolition of these rotten structures will increase the incomes of poorer nations and free up resources in the richer ones to increase aid.

At the same time, progress must be made on other issues, such as trade facilitation, which also stand in the way of international progress and development. A successful outcome to the Doha round cannot and will not be a one-sided one.

The next year will tell whether the fine words we utter at these conferences about trade liberalisation are meant, and will be translated into substantial progress, or whether they are merely the cover for the continuation of distortionary and unfair trade policies, which ironically, reduce total welfare in both the developed and the developing nations.

Effectiveness and Harmonisation

In the Pacific, New Zealand is committed to rationalising institutional arrangements and harmonising aid programmes. However, there are still issues to resolve in relation to the effectiveness of programmes, targeting of assistance and careful management of partner sensitivities. We encourage the Bank to move further in this area to assist with harmonisation, working closely with the borrowing governments and donors.

Last year, my Government established a new aid development agency in New Zealand with a central focus on poverty elimination – NZAID. The new focus is narrower, but deeper.

Small States

Many challenges face our small state development partners in the Pacific including isolation from markets, post conflict stress, and diverse cultural and social settings. We support the Bank's efforts to develop innovative approaches to co-ordinating bilateral and multilateral aid agencies in the Pacific.

Earlier this year, the Solomon Islands Government and Parliament invited a regional presence to help restore law and order, and rebuild governance structures. We welcome the Bank's involvement and re-engagement, and believe that it is an important example of the role for the Bank in the Pacific region.

The Bank's revision of its Pacific Strategy in 2004 will be important in setting the future development agenda for the Pacific, and we look forward to increasing dialogue with the Bank and our development partners on the revision to the strategy.

Voice and Representation

The representation of members at the IMF and the World Bank is central to the credibility of the two organisations. A strong voice for developing countries is fundamental if the Bank is to function effectively. Equally, we need to recognise changing relative economic positions.

Internal Reform

New Zealand is an advocate of the internal reforms at the Bank and the Fund. We would like to voice our support for the President's work and the Managing Director's work in relation to strengthening internal governance.

However, with this support and commendation comes an acknowledgement that further work is required. We have seen a drift in the relationship between revenue and administration expenses and growth in the transaction costs of doing business with the Bank. Flexibility is necessary in the short term, but balance is required over the medium term if the institution is to function well.

Conclusion

New Zealand is a firm proponent of economic, social and environmentally sustainable development. As the Fund and Bank work to improve the development of low income and middle income countries, I congratulate the President and Managing Director on their personal leadership on trade issues. But our sense of frustration is mounting as we see few signs that the gap between promise and performance is closing.