

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION  
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Statement by the Hon. **RODRIGO DE RATO FIGAREDO**,  
Governor of the Bank and the Fund for **SPAIN**,  
at the Joint Annual Discussion

STATEMENT BY HIS EXCELLENCY, MR. RODRIGO DE RATO FIGAREDO,  
VICE-PRESIDENT AND MINISTER OF ECONOMY AND FINANCE OF SPAIN  
AT THE ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND  
AND THE WORLD BANK

September 23, 1997

Hong Kong, China

Allow me to begin my statement by thanking our hosts for their superb hospitality. I also applaud the decision to choose Hong Kong as the setting for these Annual Meetings of the International Monetary Fund and the World Bank Group. The choice of location reflects our conviction that the territory of Hong Kong, now returned to Chinese sovereignty, will continue as a major international financial center and bellwether for the market economy.

The Annual Meetings are taking place at a particularly auspicious time for the international economy; global output continues to expand and interest rates are falling in most countries. With such a combination of growth and price stability, this looks to be one of the longest-lasting periods of economic expansion in recent history.

Latin America is no longer the source of anxiety that it once was. The troubles have shifted to Southeast Asia, where recent financial events in Thailand have been arousing much concern at the international level. Supported by the main countries in the region, the IMF has played a decisive role and we trust that the recent agreements will help to restore market confidence in the economies of the Far East, where economic fundamentals remain favorable.

Spain is keenly interested in ensuring that such crises can be overcome and it is also committed to building a climate of stability at the international level. This is partly because of Spain's commitment to stability and prosperity; however, the Spanish economy has also been engaged in a far-reaching process of opening up to the rest of the world and is embracing the current globalization trends that are providing such impetus for world growth. Today, Spain holds substantial investments abroad in such representative sectors such as banking, telecommunications, and basic services. These investments, initially concentrated in Latin America, are now being extended to other regions of the world.

Accordingly, we feel that we should take stock of the current world situation and, in particular, to the thrust of basic economic policies and the role of multilateral organizations. We draw the following conclusions:

- (a) First, exchange rates must be able to adapt rapidly to changing conditions in international markets.
- (b) Second, economic policy programs (both fiscal and monetary) should be compatible with the chosen exchange rate regime and should foster a credible climate of stability.

- (c) Third, it is essential to implement timely structural reforms to provide economies with greater flexibility, thereby enabling them to adapt to a globalized and increasingly competitive world. Deregulation, privatization, liberalization, and competition are key factors in this new phase of the process.
- (d) Fourth, we must proceed with the orderly liberalization of capital movements to overcome the current profusion of restrictions and obstacles blocking the free movement of financial resources, and so enable the world economy to develop to its full potential.
- (e) These measures should be pursued in accordance with the basic principles of transparency, accountability, and good governance featured in last year's Declaration on Partnership for Sustainable Global Growth. Only these principles can truly foster the kind of trust and credibility needed to ensure the optimal functioning of government institutions and the success of their economic policies.

The International Monetary Fund has a central role to play in this process. We therefore support the allocation of fresh resources pursuant to the Eleventh Review of Quotas; however, we favor changing the current formula in order to correct anomalies in calculated quotas and present quotas. We also support an amendment allowing a special allocation of Special Drawing Rights, and we welcome the Hong Kong Declaration as a major step toward the globalization of capital flows.

Further evidence of this global support for the IMF is to be found in Spain's participation in the New Arrangements to Borrow (NAB) and the ESAF. With its contributions in these areas, Spain is demonstrating its commitment to international cooperation and partnership for the benefit of the citizens of the world.

The World Bank is likewise engaged in a reform process; it is our hope that these efforts will make the institution stronger, more efficient, and more attuned to the needs of the global economy and, in particular, the need to conquer poverty in the developing countries. We welcome these reforms and look forward to their successful completion. In particular, a priority of the reform program must be to ensure that the Bank's corporate culture truly reflects the universal nature of its membership.

Mention should also be made of the agreement to increase the capital of the Multilateral Investment Guarantee Agency (MIGA) which will enable it to pursue its efforts to assist private investment in developing countries. Spain's interest in this agreement is understandable, given the volume of Spain's foreign investment and our country's commitment to resolving the problems facing the less developed countries.

Both Spain and the European Union to which we belong are facing the new challenges of the world economy with some confidence and with a firm commitment to making a meaningful contribution to the new international economic order.

In fact, European Monetary Union will be a stabilizing force in the world economy in two ways:

- (a) First, it will establish a broad-based common currency that will promote equilibrium in the international monetary system.
- (b) Second, its commitment to stability will ensure sound economic policies in the EU member countries, help create an environment of low interest rates, and so promote cheaper money policies conducive to economic growth.

For this reason, the countries of the European Union must redouble our efforts and pursue timely modernization of labor markets as well as the markets for the production of goods and services. The principles I mentioned earlier—namely, deregulation, privatization, liberalization, and competition—are likewise prerequisites for ensuring the success of the EMU and safeguarding its contribution to global equilibrium and stability.

These, then, are the principles that are guiding Spain's policies; I am pleased to say that the results have been very encouraging in terms of promoting job creation and enhancing prosperity. Our current economic policy is based on steadfast, meaningful efforts to achieve fiscal consolidation. This adjustment has been achieved without raising the tax burden, a situation which is expected to continue in the years to come.

Our second policy focus has to do with efforts to liberalize the goods and factor markets and privatize public enterprises. In this connection, I should mention labor market reform, achieved through social dialogue, which has created a climate of confidence with a very beneficial impact in terms of job creation and ensuring stable economic recovery. This policy of promoting deregulation and competition within Spain's economy is a vital step in ensuring that, once Spain is inside the EMU, any problems affecting the Spanish economy will be absorbed by a flexible pricing system that minimizes their impact on output and employment.

These policies have led to economic growth above inflation and the European average, with the result that employment is being created at a rate of approximately 3 percent, in an environment of price stability—Spain's inflation is below 2 percent per year—with a current account surplus and a declining public deficit.

We are living in an era of rapid and sweeping changes. This process is confronting us with a succession of new challenges; however, it is also a source of major opportunities for achieving stable growth, sustained economic development, and widespread prosperity. If we are to accomplish these unquestionably ambitious objectives, we must stand ready to shoulder our respective political responsibilities.

Thank you.