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Statement by the Hon. **TUILAEPA S. MALIELEGAOI**,
Governor of the Fund for **SAMOA**,
on behalf of Kiribati, Marshall Islands, the Federated States of
Micronesia, Samoa, Solomon Islands, and Vanuatu,
at the Joint Annual Discussion

SPEECH BY THE HON. TUILAEPA SAILELE MALIELEGAOI
DEPUTY PRIME MINISTER AND MINISTER OF FINANCE, SAMOA¹

It gives me great pleasure to address the Fifty Second Annual Meetings of the International Monetary Fund and the World Bank, on behalf of our Pacific Constituency - Kiribati, the Marshall Islands, Federated States of Micronesia, , Solomon Islands, Samoa and Vanuatu. I note that the Fund and the Bank are close to completing procedures for admission of Palau as the newest member country from the Pacific, and we look forward to their membership in the international community.

I would like to express our sincere appreciation to the Fund's Managing Director and the Bank's President for their statements particularly on the internal restructuring of the two institutions, to respond to the changing needs and circumstances of member states in the global economy. The implementation of the Bank's Strategic Compact and the adoption of the proposals for Adaptable Lending - New Investment Instruments are particular cases in point, as well as the initiatives for greater field contact between the Bretton Woods institutions and their members.

We are encouraged to see that the Fund, in its World Economic Outlook, believe the current global economic expansion can be sustained. It notes that there are relatively few tensions and imbalances appearing which might presage an end to the current economic growth, and further notes that there is still a great deal of slack in the capacity of a number of industrial nations. While growth has been generally widespread across various regions, the recent instability in currency markets and its contagious effect on dynamic emerging markets, and the possibility of higher interest rates in the industrial

¹ On behalf of Kiribati, Marshall Islands, Federated States of Micronesia, , Samoa, Solomon Islands and Vanuatu.

countries may have implications on projected growth for 1997-1998. For our constituency of small island countries, the downside risks to this generally favourable outlook include declining ODA flows, our inability to tap into private capital markets, and the decline in commodity prices.

On capital account liberalisation, we recognise that there may be global benefits to be gained from freer capital account movements, however we must, by the size and structure of our small economies, protect against the risks of large, adverse capital flows which might destabilise our external positions. We therefore support the call for longer transitional arrangements to allow developing countries to move towards full liberalisation as well as technical assistance to implement these arrangements. Some members of our constituency are already moving towards liberalisation of their domestic financial systems. This is being undertaken with great caution, mindful of our absorptive capacities to manage these radical changes to our small economies, while at the same time also ensuring sound macroeconomic policies are in place to support these changes.

We welcome the Fund and the Bank's recent adoption of guidelines covering their scope and role in addressing issues of good governance. There can be no doubt that they have major contributions to offer in the field of promoting good governance, to improve the management of public sector resources which support the development and maintenance of a transparent and stable economic and regulatory environment, that is conducive to private sector growth and sustainable development. However, the issue of sovereignty, especially where there is likelihood of the institutions being seen to be micromanaging economic processes, remain a sensitive one which will require constructive consultation and dialogue between all parties.

We welcome the agreement reached on the Eleventh Review of Quotas and the amendment of the Articles for a special allocation of SDRs. These developments should provide the Fund with the flexibility to carry out its mandates effectively, as well as

respond to major crises. I note with satisfaction that issues and anomalies in the distribution of quotas, as well as the treatment of new members since the last general review in 1990, has been addressed in the current revision.

The collective economic performance of members of the Pacific Constituency over the last decade has been poor. Our generally inward-looking, isolationist stance in the past few years, has not been successful for economic development and growth. Our economies have also suffered from external, and in some cases, internal climatic and/or financial shocks. Certainly these shocks have been physically and financially devastating and therefore severely disruptive of economic growth. We must not allow such events to dominate our policy making and our strategic thinking for the future. We must restructure, and develop our economies to take advantage of the benefits of our limited comparative advantages. These policies must be pursued both with vigour and caution given the small and fragile nature of our economies. Clearly the Fund and the Bank have important roles to play in this process to enable us to achieve these strategic goals. We shall therefore need continued financial support and technical assistance from both the Fund and the Bank and our bilateral partners. In this regard we are concerned with the continuing decline in ODA, and the introduction of greater conditionality in Bank lending. In view of the continuing reductions in ODA, the role of IDA will be crucial, and we would encourage donor countries for greater commitment to sustain IDA lending, if developing countries are to successfully implement the reform process, and to improve the underlying economic and human resource base of our economies.

The challenges facing members of the Pacific Constituency are not just those of economic policy and reform. These alone are daunting enough. The recent revelations

that the polar ice cap is melting at an unprecedented rate and that the presently forming El Nino climatic system is the most severe on record, could test the fragility and vulnerability of the physical environment of the small island nations. These impending changes, coupled with the impact of globalisation, liberalisation and increasing

international competitiveness on our economic performance overall, will put considerable strain on our small administrations and limited resources. It is in this context that we will continue to seek support of the Bank and Fund of our endeavours.

Finally, I want to thank the Government of the Peoples Republic of China and the people of Hong Kong for their hospitality and generosity in hosting the 52nd Annual Meetings of the Bank and the Fund.