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STATEMENT BY FEDERAL COUNCILLOR OTTO STICH,

HEAD OF THE FEDERAL DEPARTMENT OF FINANCE,

ON THE OCCASION OF THE ANNUAL MEETINGS

OF THE BRETTON WOODS INSTITUTIONS

(Washington, September 24, 1992)

FOR THE FINAL VERSION, REFER TO THE SPOKEN TEXT



Mr. Chairman,
Mr. Director and Mr. President,
Dear Ministers,
Ladies and Gentlemen,

On May 17, 1992, Swiss voters reached a milestone: they decided to bring to an end the more than 40-year absence of our country from the Bretton Woods Institutions. It is unique in the history of IMF and the World Bank Group that a country's membership had to be expressly approved by its people. It is also a special recognition of the now worldwide Bretton Woods Institutions.

With this decision the voters approved a policy of opening up to Europe and the world that the Swiss Government had been following for quite a long time. This policy is aimed at taking into account the far-reaching political and economic changes of recent years that have influenced our life in Switzerland as well. Taking into account implies, however, participation, participation in the most important multilateral decision-making institutions. There is no doubt that, in questions of currency stability, this is the International Monetary Fund, and the World Bank Group is the most significant institution for international solidarity in the advancement of the development process. Switzerland, as a country of direct democracy and active participation by its citizens, could not and did not want to remain apart from these important institutions.

For this reason, I am proud and happy to represent the Swiss Government here. Proud, because the road to membership we took required a substantial commitment in both domestic and foreign policy; happy, because I know that, in your organization, Mr. Chairman, ladies and gentlemen, I represent a country that has for a long time felt itself committed to the goals and activities of the Bretton Woods Institutions and which now, as you, belongs fully to them.

Our cooperation with these institutions goes back to the 1960s and, in the last few years, has become even more intensive. As a full member, we shall further strengthen this cooperation. In

this we will allow ourselves to be led by the conviction that only a constant dialogue, the quest for broadly supported consensual decisions can offer solutions to problems in currency, economic and development policy.

Differences in the economic situation and in the setting of economic policy priorities in ever more integrated national economies have brought about a strained relationship that will have to be worked out for a long time to come. Thus, the most recent turbulence in the foreign exchange markets is solely a symptom of such deep-rooted economic imbalances. I am convinced that such imbalances can only be remedied through a systematic stabilization policy based on the free-market concept. This is true for the industrialized nations as well as for the developing countries and the countries of Central and Eastern Europe, which are in the process of a difficult transition to a free-market economy. Particularly in the matter of financial policy and above all in balancing the budget, we industrialized nations should set a good example.

The IMF has to play a leading role in the macroeconomic stabilization, which is an essential prerequisite for lasting growth. The Fund and the World Bank must continue to advocate that countries with balance-of-payment imbalances take adjustment measures to remedy them, measures that correct the overvaluation of currency, bring under control expansion of the money supply and reduce budget deficits. Countries that distinguish themselves through the principles of good governance should especially be supported. According to its statutes, the IMF also supports an open international trading system. Switzerland, as an economy open to the world, most emphatically supports this objective in the Uruguay Round of the GATT.

I am aware that the road to economic balance and thus to sustainable economic growth is not an easy one for any country. This is especially true for the countries of Central and Eastern Europe and the recently independent states of the former Soviet

Union that are now facing free-market conditions. I am particularly thinking of the members of the Swiss voting group: on the one hand, Poland, with which we have had long, traditional ties; and on the other, Azerbaijan, Kyrgyzstan, Turkmenistan, Uzbekistan and the observer member Tadjikistan. I have expressly instructed my Executive Directors in the IMF and the World Bank to work intensively for the integration of these countries into the world economy. With the financial and advisory assistance of IMF and the World Bank and the vast experience of these institutions, I am convinced that the recovery process, already initiated, can be carried out successfully.

This hope is based as well on the fact that numerous countries of the southern hemisphere have already carried out for a long time essential, far-reaching structural adjustment programs with the advice of IMF and the World Bank. They have a long way to go to reach their goal, though the most recent results are encouraging in spite of the less-than-satisfactory economic situation in industrialized nations. These results show that a growing number of countries emerge from the adjustment programs with strengthened economic structures.

But experience has also taught that the adjustment programs can have serious social consequences. This is not in the long-term interest of either the adjusting countries or the institutions that prescribed the bitter medicine. For this reason, Switzerland will make every effort to see that the social costs are taken into consideration when programs are developed. And where necessary, it will speak out for substantial social safety nets that complement the adjustment measures and that protect the poorest groups of the population from intolerable consequences. It is not without good reason that the Swiss Parliament has legally obligated the Government to take into consideration the principles and objectives of Swiss development policies when it contributes to decisions in the Bretton Woods Institutions that affect the developing countries. These principles make the reduction of poverty, development of less privileged areas,

advancement of labor-intensive projects and protection and restoration of ecological and demographic balance the priority.

These principles also guide the activities of the International Development Agency (IDA). Before Switzerland was a member of the World Bank, co-financing with IDA was already a very important instrument in the Swiss policy of development. As a full IDA member, Switzerland is prepared to take over an appropriate share of the tenth replenishment commensurate with the Swiss capital share in the World Bank. It is also considering participating in solidarity in the filling up of a possible financing gap. In the negotiations on the IDA replenishment, it has expressed as a minimum objective the maintaining of the real value of the concessional resources that are available for the next three years.

Mr. Chairman, ladies and gentlemen, the spot you made for Switzerland in the Bretton Woods Institutions for membership as well as the decision democratically reached by the Swiss voters bring obligations: spot and popular vote obligate the Government, which I represent, to strive with commitment for the noble objectives of the International Monetary Fund and the World Bank. Switzerland will make an effort to realize this to the best of its knowledge and belief. I thank you.