

reestablished. As confidence returns to world markets and financial flows are starting to grow again, new forms of innovation will undoubtedly take place. It is vital that these next stages of integrating global financial markets take place within the framework of “carefully defined and consistently applied obligations” rather than the world having to accept the risks of a return to the piecemeal approach of the past decades.

- *Is there an appropriate role for controls on capital movements during a transition period?* A consensus is emerging that capital controls do not deal effectively with fundamental economic imbalances, although they may be useful in certain circumstances. Controls work best when they are price-based and temporary; it would be illusory to attribute greater value to them. Countries that have found them successful have also simultaneously adopted stronger macroeconomic policies and/or measures to strengthen or restructure the banking sector. These, more than controls, were the key to the observed success.

Areas that need work

Urgent work is still needed in at least three areas.

- *Social issues.* The Asian crisis laid bare the surprisingly underdeveloped state of the formal social welfare systems of the countries affected. The IMF was well aware of the potential for deteriorating employment and social conditions, and the programs it supported were designed to use, to the maximum possible extent, the limited resources available to shelter the most vulnerable. Here, the World Bank took the lead role in helping authorities design the structural policies and social content of the programs.

Existing mechanisms are not enough, however. The Asian crisis has highlighted how important it is for a country to build up its social defenses at the same time it builds up its economic defenses—*before a crisis strikes*. Each country must have a social pillar in its policy framework. Equally, the stability of the international economic system requires that a strong social pillar be an integral part of the architecture.

- *Integration.* Efforts must be redoubled to integrate into the globalized economy those developing countries that are still far from benefiting from globalization. Industrial countries are not doing enough to facilitate this integration by, for example, opening their markets or by extending official development assistance.

- *Institutional evolution.* All institutions, including the IMF, need to evolve in line with the demands of the changing global economy, and all countries need a forum to express their views on decisions of a global character that will shape their destinies.

Japan's reforms are crucial for regional, global recovery

In his remarks at the International Finance Seminar, cohosted by the Japan Center for International Finance

and the IMF in Tokyo, Camdessus focused on the implications of international monetary reform for Japan.

Japan's formidable achievements and potential have brought it to a position of leadership and first-rank responsibility in the world economy.

- Japan has strongly advocated increases in the IMF's financial resources to ensure that the IMF could play its essential role in maintaining the stability of the international monetary system.

- Even in a time of economic adversity, Japan has been tenacious in the search for effective solutions to the East Asian crisis and, in the Miyazawa Initiative, is providing an invaluable infusion of support to assist the region's nascent recovery.

- Japan is the world's largest provider of official development assistance, as reflected in its contribution to the IMF's financial support for the poorest countries

Available on the web (www.imf.org)

Press Information Notices (PINs) are IMF Executive Board assessments of members' economic prospects and policies issued following Article IV consultations—with the consent of the member—with background on the members' economies; and following policy discussions in the Executive Board at the decision of the Board. Recently issued PINs include

99/40 Portugal–Macau, May 7

99/41 Chad, May 14

99/42 Iceland, May 20

Letters of Intent and Memorandums of Economic and Financial Policies are prepared by a member country and describe the policies that the country intends to implement in the context of its request for financial support from the IMF. Recent releases include

São Tomé and Príncipe, Letter of Intent, May 3

Nigeria, Memorandum of Economic and Financial Policies, May 4

Ghana, Letter of Intent and Memorandum of Economic and Financial Policies, May 7

Policy Framework Papers are prepared by the member country in collaboration with the staffs of the IMF and the World Bank. These documents, which are updated annually, describe the authorities' economic objectives and macroeconomic and structural policies for three-year adjustment programs supported by Enhanced Structural Adjustment Facility resources. Recent releases include

Ghana, May 5

IMF Staff Papers presents, on a quarterly basis, the research work of the IMF staff. Available now on the web is the most recent issue, March 1999, as well as the four issues published in 1998.

Note: The IMF is revising *A Manual on Government Finance Statistics*. As draft chapters become available, they will be posted on the IMF's website for comment. Currently, drafts of chapters 2 and 3 and a synopsis of the entire manual are available.

