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To succeed Michel Camdessus

IMF Executive Board selects Horst Köhler to serve as IMF Managing Director

On March 23, the IMF's Executive Board selected Horst Köhler as the new Managing Director of the IMF. The text of Press Release No. 00/21 follows:

The Executive Board of the IMF today agreed unanimously to select Horst Köhler as Managing Director and Chairman of the Executive Board of the IMF. Köhler will succeed Michel Camdessus, who resigned on February 14, 2000.

Köhler, 57, a national of Germany, is currently President of the European Bank for Reconstruction and Development, a post to which he was appointed in September 1998.

Köhler was President of the German Savings Bank Association from 1993 to 1998. From 1990 to 1993, he served as Germany's Deputy Minister of Finance, being responsible for international financial and monetary relations. During this time, he led negotiations on behalf of the German government on the agreement that became the Maastricht Treaty on European Economic and Monetary Union, was closely involved in the process of German unification, and held the position of Deputy Governor for Germany at the World Bank. He was personal representative ("sherpa") of the Federal Chancellor in the preparation of the Group of Seven economic summits in (Please turn to the following page)



Horst Köhler

Focus on IMF reform

International Monetary and Financial Committee to hold first meeting on April 16

The IMF's evolving role in the international monetary system is expected to be a main focus of the first meeting of the International Monetary and Financial Committee (IMFC), which is to be held in Washington on April 16. In addition to considering issues in the reform of the IMF, the IMFC is also expected to review the continued strengthening of growth in the world economy and progress in the Initiative for the Heavily Indebted Poor Countries (HIPC) and the Poverty Reduction and Growth Facility (PRGF).

The IMFC comprises 24 IMF Governors, ministers, or others of comparable rank, and is chaired by Gordon Brown, U.K. Chancellor of the Exchequer. It was

established at the 1999 Annual Meetings, when the IMF's Board of Governors adopted a resolution transforming the Interim Committee into the IMFC (see *IMF Survey*, October 11, 1999, page 317).

Following a review of world economic developments and prospects, the provisional agenda for the IMFC provides for consideration of a number of issues related to reforming the role of the IMF in the global economy. Specifically, these are

- the next steps in the ongoing review of IMF financial facilities;
- safeguarding the resources of the IMF;
- a review of IMF surveillance (Continued on page 100)

Houston (1990), London (1991), Munich (1992), and Tokyo (1993).

Köhler earned a doctorate in economics and political science from the University of Tübingen, where he was a scientific research assistant at the Institute for

Applied Economic Research from 1969 to 1976. After completing his education, he held various positions in Germany's ministries of economics and finance between 1976 and 1989.

He is married to Eva Köhler and has two children. ■

Washington press conference

Köhler addresses range of issues facing IMF, strategy for global economic reform

On March 17, Horst Köhler, then speaking as nominee for the post of Managing Director of the IMF, met with the press. Following are edited excerpts of that press conference. The full text is available on the IMF's website (www.imf.org).



Köhler: "I do think that in a globalized world, the IMF, with its universal membership, is a cornerstone for promoting growth and stability."

KÖHLER: I have come to Washington to introduce myself to the Executive Directors of the IMF. Yesterday, I also met with Stanley Fischer, the Acting Managing Director, and I had a talk with the U.S. Secretary of the Treasury, Larry Summers. It is now important for me to listen

carefully before making any specific statements on the role of the IMF, to listen to the IMF shareholders and its staff, but also to outside experts.

I do think that in a globalized world, the IMF, with its universal membership, is a cornerstone for promoting growth and stability. I am fascinated by the expertise of the IMF, its staff, and management. I do think that with regard to the future work of the IMF, the focus should be even more on crisis prevention, and we should make the best use of the strengths of this institution. It also remains important to combine financing with adjustment and to stay engaged in all member countries.

QUESTION: You have dealt with Russian President [Vladimir] Putin when you were at the EBRD [European Bank for Reconstruction and Development]. Do you feel you can deal with him now at the IMF? And what is ahead for Russia and the IMF?

KÖHLER: Indeed, I met and talked to Mr. Putin in December last year. We had a very frank exchange of views. I noted that the reform process in Russia is not strong enough and that is the main cause of the difficulties in Russia. Mr. Putin clearly admitted this was right. And he said that in his view Russia needs to have a strong state.

I confirmed that was right in terms of bringing more predictability to this state and country. But at the end, we will have to wait on concrete deeds and not just listen to words, because deeds count. But I would think that we should give Mr. Putin the benefit of the doubt and work together, and I am open to a constructive dialogue with him.

QUESTION: The IMF, as you are probably aware, is viewed in some parts of this country as the devil incarnate. In the U.S. Congress and elsewhere, there's been a lot of criticism of the IMF. How would you plan to address that and what directions would you see as priorities?

KÖHLER: Well, first, we should all know—management and shareholders—about the direction of changes or reforms in the IMF. Second, I am fully committed to an open discussion and dialogue with the U.S. Congress. We are meeting in a discussion about reforms. I have a good feeling that out of all these contributions and comments it will be possible to sort out structures and conclusions that will strengthen the IMF to do a good job in the future.

QUESTION: Could you tell us a little bit more about your conversation yesterday with Mr. Fischer and whether you obtained assurances that he will stay on for the short or the long term?

KÖHLER: We had, indeed, very good and long discussions. I appreciate very much Stanley Fischer's intellectual brilliance and his experience in working and guiding the IMF. I clearly told him that I would be interested that he stay, and he at the same time told me that he would like to stay. I am sure that he and I will work together very closely for some time.

QUESTION: Mr. Köhler, the process that led to your selection as the next Managing Director has come under heavy criticism—in part because developing countries felt left out, in part because it gave new ammunition to the IMF's critics, and in part because it was probably unfair to some people involved. As the IMF's new leader, would you recommend that the process of selection of the Managing Director be reviewed, discussed, and changed?

KÖHLER: I agree that this process was really not the best and I have no hesitation in saying that it should be reviewed and improved.

QUESTION: Could you talk a little bit about your meeting with U.S. Secretary of the Treasury Larry Summers and what was discussed? The United States finally came out in support of your nomination but at first it didn't seem wholehearted. Did that come up at all?

KÖHLER: Well, before I met with Larry here in Washington, he called and told me that he would look forward to working with me. Here in Washington, we reviewed the work of the IMF and had an exchange of views about reform priorities. We agreed on most of these items. Of course, we couldn't touch on everything in detail, but the talk was in substance very friendly. I know Larry Summers from one year of cooperation in 1993. He knows my working style is open, speaking candidly, but our experience is that it is the best way to find the best solution. I am really looking forward to working together with Larry Summers in more concrete terms.

QUESTION: You had said you wanted to focus more on crisis prevention and would like to see the IMF focus more on crisis prevention. How is the IMF preventing crises today?

KÖHLER: Well, many items come into this. The most important axis for crisis prevention activities is the surveillance activity of the IMF's Executive Board. And surveillance operates in two ways. First, macroeconomic stability surveillance gives advice to countries. But, second, structural issues underpin macroeconomic stability and sustained growth. And the work done, or in the process of being done, in the Financial Stability Forum is very important for bringing this critical discussion about the international financial architecture to very concrete conclusions. Here I would think is the main priority for the IMF to enhance its activities for crisis prevention.

QUESTION: Will you be in office for the [April 16] spring meeting [of the International Monetary and Financial Committee]?

KÖHLER: I must say that the time between when I first talked to German Chancellor [Gerhard] Schroeder and today is less than two weeks. I have not yet even had a chance to organize my work in the EBRD. Going to Washington after the election is, of course, fascinating and challenging, but I would also go to Washington with a bit of a sadness, because the EBRD is a good and efficient institution. I don't want to give the staff of the EBRD the impression that this represents a downgrading of their institution. So I am very interested in organizing an orderly transition, and I am urging shareholders of the EBRD to decide very rapidly on my possible successor.

QUESTION: Would you support the cancellation of debts owed to the IMF by developing countries as was advocated last week in the Meltzer Commission?

KÖHLER: I don't want to go into details today, but I can address a point of principle. Debt reduction, or debt relief, is and can and should be an element of a global



strategy to secure global growth and fight poverty. But debt relief or debt reduction without growth, macroeconomic stability, and structural reforms makes no sense. It has to be combined with reforms and with macroeconomic stability.

QUESTION: There is a discussion going on about how the IMF should use the information it gathers during the surveillance process. Some say that this is privileged information that should be communicated directly from the IMF to governments. Others say that perhaps the market should be used to bring influence to bear on governments via the IMF making this information more public. How much information should the IMF provide to the public and to the private market?

KÖHLER: The IMF should release information that enables markets and the public to better judge a country, its economy, and its problems. There is an area of information that has to be confidentially treated—for instance, in the context of private involvement—because these people want to keep their information. But, in principle, more disclosure of information and of IMF policy and IMF activities and approaches is the right direction to go at the beginning of this century.

QUESTION: How are you going to approach the issue of developing countries in terms of their role in the global economy and their place in organizations like the IMF and the World Bank? How will you consult with and involve them in your new role?

KÖHLER: We are so often—and even maybe too often—talking about globalization. But if we are serious about

Köhler: "In principle, more disclosure of information and of IMF policy and IMF activities and approaches is the right direction to go at the beginning of this century."

globalization, we must understand that the developing countries are part of this globalized world. We are really one world. I not only met with the full group of IMF Executive Directors yesterday, I also met with the Executive Directors for the constituencies of the developing countries. We have to give more attention to developing countries to find strategies that are sustainable.

QUESTION: There are probably going to be very large protests during the spring meetings. How will you approach public skepticism about the IMF's intentions and its abilities?

KÖHLER: My intention is to have more open dialogue with the public and with NGOs [nongovernmental organizations]. It is our obligation to explain IMF policy and activities better maybe than we have done in the

past. And we have to have a dialogue. But I also hope we are not embarking on a process where dialogue with the NGOs is weakening the democratic institutions in our societies and countries. There has to be a process of openness, more public disclosure, and more attention to these concerns and contributions to the discussion, but there must also be an awareness that our institutions have been given responsibility by elected officials, and this should not be weakened.

QUESTION: What would you do to prevent the misuse of IMF funds?

KÖHLER: Experience reveals the need to be even more careful, and if something happens, to draw conclusions and to organize our own work so that it will not be repeated. ■

Agenda for April committee meetings

(Continued from front page) and the links between surveillance and international standards and codes of conduct. This will take place against the background of the IMF Executive Board's biennial review of surveillance; its progress reports on standards and codes of good practice; its discussion of the lessons from the pilot exercise in the Financial Sector Assessment Program and the next steps in this area; and its review of the IMF's data standards initiative; and

- work toward a framework for securing private sector involvement in the prevention and resolution of financial crises.

The IMFC is also scheduled to review progress on the HIPC Initiative and poverty reduction and growth strategies.

As a basis for discussion of much of its agenda, the IMFC is expected to receive a report from the IMF management on progress on a wide range of issues in strengthening the architecture of the international financial system. Other issues that ministers may discuss include the progress in implementing the Special Data Dissemination Standard and the General Data Dissemination System; issues of reserves and debt management; initiatives toward greater transparency; exchange rate regimes; and the external evaluation of IMF activities.

The IMFC's discussions will take place against the background of the IMF staff's latest review and projections for the global economy in the *World Economic Outlook*. The *World Economic Outlook* will be released on the IMF website on April 12, when it will also be discussed at a press conference by Michael Mussa, Economic Counsellor and Director of the IMF's Research Department.

Following the conclusion of the IMFC's meeting on April 16, Chairman Brown and the IMF's management are scheduled to hold a press conference at which the Committee's communiqué will be released.

A number of ancillary meetings will take place in connection with the IMFC. The Group of 24 ministers, representing the developing member countries of the IMF, is to meet on April 15, with Germán Suárez, Governor of the Central Bank of Peru, in the chair. A press conference will be held following the meeting. The finance ministers and central bank governors of the Group of 10 will meet on April 16 prior to the IMFC meeting.

Following the IMFC meeting, on April 17, the Joint IMF–World Bank Development Committee will meet. The Committee, formally known as the Joint Bank-Fund Committee on the Transfer of Real Resources to Developing Countries, will be chaired by Tarrin Nimmanahaeminda, Finance Minister of Thailand. The Committee is expected to discuss trade and development issues and steps toward intensifying action against HIV/AIDS. The Committee is to receive an IMF–World Bank progress report on implementing poverty reduction strategy papers and the HIPC Initiative. It will also receive a report on the conclusions of the World Bank–Commonwealth Task Force on Small States and an update on the World Bank's financial capacity. Chairman Nimmanahaeminda and James Wolfensohn, President of the World Bank, will hold a joint press conference following the meeting. ■



Gordon Brown,
Chairman of the IMFC.



Tarrin
Nimmanahaeminda,
Chairman of the
Development
Committee.

April 3, 2000

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The next issue of the *IMF Survey* will be dated April 24 and will provide full coverage of the IMFC and the Development Committee meetings.