BOARDS OF GOVERNORS • 2006 ANNUAL MEETINGS • SINGAPORE

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Press Release No. 59
September 19–20, 2006

Statement by the Hon. **CLAY LOWERY,**
Temporary Alternate Governor of the Fund and the Bank for **THE UNITED STATES,**
at the Joint Annual Discussion

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Plenary Remarks for the 2006 World Bank/IMF Annual Meetings in Singapore
United States of America
September 19, 2006

Chairmen, Governors, Managing Director de Rato, President Wolfowitz, on behalf of Secretary Paulson who had to depart early, I wanted to provide the U.S. perspective on this weekend. While the setting of Singapore and this weekend bring out many lessons in the world of international economics, I wanted to mention three in particular that stand out.

I. The Central Importance of Liberalization

The impressive rise in Asia's living standards is a reminder of what we all have to gain—more jobs, greater opportunities, less poverty—in pressing forward on a global trade agreement that reduces trade barriers.

Setbacks in the Doha round reflect uneasiness about the impact of globalization, even among countries that stand to gain the most from a new global trade deal. We need to address such concerns head-on, by being attentive to the impact of trade opening on different groups and ensuring that benefits are widely spread. Finance officials have special responsibility to halt rising protectionist pressures while at the same time promoting the opportunities that open trade and investment regimes bring.

There is hard and important work ahead in building a broad coalition to bring the Doha round to a successful conclusion. The rewards of trade liberalization, growth and development, however, make this work imperative and we must seize the chances before us.

II. The Growing Weight of Emerging Markets

Emerging economies with sound policies and institutions have become increasingly important actors in the global economy. They should have a greater role, and assume increased responsibilities for the management of the international financial system. At these meetings, we have begun this process by reordering the governance of the IMF so that it reflects the new realities of the 21^{st} century.

We are pleased to have the first small step in quota reform behind us and want to thank Managing Director de Rato for his leadership. We came to the view awhile ago that if we do not take action to recognize the growing role of emerging economies, the IMF will become less relevant and we will all be worse off. We have much work to do in the coming months and we should get started on it as soon as possible.

III. Updating the Work of the International Financial Institutions

To remain relevant, the IFIs need to evaluate continually whether they are achieving their core missions—and accordingly—adjust their work programs to maintain their focus. While there have been great changes in the international monetary system over the last half-century, the encouragement of appropriate exchange rate policies to facilitate international trade and global growth remains the IMF's most fundamental responsibility. This entails rigorous assessment of members' exchange rate regimes and their consistency with domestic policies and the international system. If the IMF as a multilateral institution does not strengthen its exchange rate surveillance, the burden will inevitably fall upon bilateral mechanisms—frankly, to the potential detriment of us all.

The Asian setting for our meetings also remind us that development efforts *can* succeed, as demonstrated by the role now played in the world by former World Bank borrowers like Singapore and South Korea. However, we must not let the World Bank become stale and this weekend has suggested three ways to avoid that:

First, as more countries gain market access and no longer need to rely on the Bank to finance development needs, the Bank should recognize this as success and find new ways other than lending to engage with such countries.

Second, where deep-seated corruption exists, genuine development that lifts people out of poverty simply cannot take place. Under President Wolfowitz's leadership, we have taken the first steps on a strategy that strengthens the Bank's engagement on governance and corruption issues. It is imperative that we follow through to implement this robust approach in the months ahead.

Third, and together with the IMF, the World Bank must find ways to prevent a return to unsustainable debt levels. This will mean creating the right incentives so that borrowers and lenders, join together to break the lend-and-forgive cycle once and for all.

Speaking on behalf of the U.S., we appreciate these lessons and we look forward to working with you to make them a reality. Thank you.