

# Preface

Against the background of the daily reports on the dynamic developments taking place in the world economy, FONDAD invited, for the second time, a group of eminent scholars and policymakers to discuss the functioning of the international monetary and financial system – with particular reference to the developing world and Eastern Europe. “The Pursuit of Reform: Global Finance and the Developing Countries” reflects the discussion which was held by this group of experts at a conference in The Hague in June 1993, and involved participants from industrialised as well as developing countries.

In the introduction of the book that resulted from a previous meeting organised by FONDAD in 1992, “Fragile Finance: Rethinking the International Monetary System”, I noted that it is much harder to reach consensus on the successes and failures of today’s system – let alone agree on the reforms required – than it is on the system of the past. The analyses and discussions presented in this volume are, once again, no exception to that rule.

Nonetheless, it was widely agreed during this year’s conference that there are many areas in which the international monetary system is not functioning properly and must be improved. And while present political circumstances do not seem to favour fundamental reform, the opinion was also voiced that intellectual pressure on governments should be maintained with a view to implementing reforms which would move the system in the right direction. “A pervasive feature of the 1990s,” said the Dutch Minister for Development Cooperation Jan Pronk in his opening address, “is the lack of order and, therefore, lack of stability in international relations”.

Most experts agreed that one of the major priorities of the present international monetary system is to make it genuinely rule-based, with all countries – minor and major – accepting the burdens of fiscal and monetary adjustment equitably. A number of experts felt strongly that efforts at international cooperation and policy coordination should be more focused at taking the developing world fully into account, rather than treating it as a footnote. They made the point that the developing world accounts for 80 per cent of the world’s population, 70 per cent of its surface area, and a much larger share of the world’s physical output than traditional GNP figures generally reflect.

Various experts stressed that the debt crisis, contrary to growing popular opinion, is not over. While a number of the larger Latin American countries are emerging from a state of debt distress and regaining access to capital markets, the foreign debt problem still remains extremely serious for over

sixty countries in Africa, Central America and the Caribbean, Eastern and Central Europe, the former Soviet Union, and Asia.

Particular concern was expressed about the growing burdens of multilateral debt, with many experts believing that multilateral lending by the major international financial institutions, instead of being a solution, has become an integral part of the debt problem in a number of low-income countries. The manageability of multilateral debt now poses severe challenges for the institutions themselves and for the shareholding governments that they represent.

With regard to the regulation of the financial system and of its two major segments, i.e. the banking and securities markets, concern was expressed that regulatory regimes must be improved so that they can better address the various problems which stem from the global integration of financial markets. However, it was also felt that international private capital flows should not be discouraged by over-regulation.

This volume starts with the address that Jan Pronk, the Dutch Minister for Development Cooperation, held at the beginning of the conference. Subsequently, four themes are discussed: reform of the international monetary system, the globalisation of financial markets, the debt problem, and international macroeconomic coordination. Each theme is explored by experienced international authorities – Peter B. Kenen, Stephany Griffith-Jones, John Williamson, and Richard N. Cooper – and followed by comments from invited panelists and summaries of the floor discussions. The book ends with the closing address by the Dutch Minister of Finance, Wim Kok.

We are grateful for the enthusiast contributions of the participants to the conference. Special thanks go to André Szász and Emile van Lennep who chaired the meetings; Stephany Griffith-Jones and Percy Mistry who were of tremendous help in preparing the conference; and Adriana Bulnes, Peter Mason and Charlie Murphy who assisted in the publishing of this book. The Forum on Debt and Development gratefully acknowledges the support of the Dutch Ministry of Foreign Affairs, the Danish Ministry of Foreign Affairs, and the Swedish International Development Authority.

Jan Joost Teunissen  
Director  
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