

PART TWO

PUTTING POLICIES INTO PRACTICE

Inaugural Address

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Laurent Fabius, the French Minister of Economy, Finance and Industry, and Jean-Pierre Jouyet, the Director of the Treasury, were unfortunately not able to be here for the opening of this forum. They have asked me to welcome you in their name and to convey to you how important this seminar is for the Ministry.

I would like first of all to express our appreciation to Tadao Chino, President of the Asian Development Bank, who has joined us from Manila, and to the OECD Development Centre, for the perfect organisation of this forum.

Today, we are impressed by the phenomenal resiliency of the countries affected by the crisis. Such resiliency, which has surprised many an observer, can be imputed to a few fundamental elements: first, there was the both rapid and very large-scale mobilisation of the international financial community; then, the fact that the Asian economies were able to turn a number of favourable factors to their advantage, including the extensive growth of the US and European economies, the rise of the yen and the stability of the Chinese currency, and the significant volume of intra-zone trade in Asia; finally, and above all, far-reaching structural reforms, which tackled the inmost causes of the crisis.

What Are These Reforms and Why Should They Be Continued?

The Asian countries need better mobilisation of their internal resources. Human capital is foremost amongst these resources. Investment in human capital is, therefore, a priority for these economies, as much on the social as on the economic level.

Another feature of the Asian economies is their high savings ratio. It is fundamental today that this high savings ratio should be translated into an efficient allocation of resources. This is why we hold restructuring of the financial sector to be highly important: so it may play its part in the allocation of these savings, which are an essential factor of the solidity of these economies.

In addition, foreign investment still needs to be attracted. Asia is a strong attraction zone for such investment, but dynamic growth is not enough. As demonstrated by the crisis, there needs to be further improvement in governance practices and in the legal certainty of investment.

Finally, the interdependence of the Asian economies argues for the implementation of regional co-operation mechanisms. In most of the countries, trade with other Asian countries accounts for about 50 per cent, while in markets outside of Asia the Asian economies are essentially in competition.

All of this generates effective interdependence and implies co-operative exchange-rate strategies. On this point, Europe is prepared to share its experience in co-operation with the Asian countries and welcomes any progress towards a better co-ordination of economic policies, the promotion of co-operative exchange-rate strategies, and regional monitoring procedures.

In this context, the Chiang Mai initiative demonstrates the Asian countries' determination to reinforce the existing mechanisms. We see this as positive insofar as the initiative is firmly placed in the framework of the Bretton Woods system, as with the process that led to the European Economic and Monetary Union. Indeed, for us, a regional co-operation system cannot be dissociated from a crisis-prevention system in which the IMF plays a key part.

The role of the international financial community is to continue to assume its responsibilities so as to produce a favourable environment for economic development. There is no need to dwell on the responsibility of the industrialised countries to the emerging countries, nor on the major efforts in official development assistance provided by the European Union and by France (which is the third donor in absolute value after Japan and the United States, and the first of the G-7 in ODA as percentage of GDP).

In the multilateral area, the Member States of the European Union together constitute the leading shareholder of the World Bank and of the Asian Development Bank. On the bilateral level, the European Union and Japan each provide more than 40 per cent of the bilateral aid in Asia. In addition to these aid efforts, the markets of the industrialised countries need to remain open, as stated by Laurent Fabius at the June 2000 ABCDE Conference.

Finally, a very important task for the international community is to develop a form of action against non-co-operative jurisdictions based on a development model founded on "least disclosure", which we see as dangerous to the equilibrium of development and as a crisis factor.

The international community has recently taken three essential steps forward in this area: *i*) by publishing the Financial Stability Fund list of offshore centres featuring deficiencies in prudential regulation; *ii*) by publishing the International Financial Action Group report on states featuring deficiencies in the fight against money laundering; *iii*) and finally, by publishing the OECD list of tax havens.

A first conclusion that we can draw from these multilateral decisions is that they show the international financial community's determination to find solutions for the "black holes" of the monetary and financial system and therefore to take the necessary action for these lists to "shrink" continuously. These three lists reflect a clear shared message: development assistance must not benefit countries that choose not to comply with the international rules and therefore constitute the source of high risks for the international monetary and financial system.

We shall therefore make a strong plea for the work of the FSF and the IFAG to be taken into account by the international financial institutions, the IMF, the World Bank, and the regional Development Banks — the Asian Development Bank in particular — because these institutions have a mandate with regard to compliance with prudential standards and to the fight against money laundering. We shall encourage dialogue between these international institutions and the countries concerned, but we believe that we must henceforth clearly integrate this aspect into our programmes and policies *vis-à-vis* these countries.

France will continue to spearhead these initiatives and is counting on active support from the OECD and the Asian Development Bank alongside our institution to implement them.

So, back to Asia and the hope that this Year of the Dragon will mark for the Asian countries the beginning of a new cycle of growth, the sustainability of which it is up to all of us to take on, and from which we shall obviously all benefit. Growth is a public good for which we share responsibility.

