Where Canada Stands

Within the context of its general responsibility for ensuring the preservation and proper functioning of the world monetary system, the IMF has a mandate to provide short term assistance to countries suffering under balance of payments disequilibria. Canada welcomed the Baker Initiative in Seoul, as it responds to our view that additional ways to assist debtor countries are required. At the same time, encouragement must be given them to undertake adjustments to manage their economies more effectively. We have been in consultation with our creditor partners to follow-up on American ideas with a view to making substantive progress at the IMF/IBRD Meetings in April and at the Tokyo Summit.

The IMF must continue to play a key role in assisting countries with balance of payments problems. The IMF created a Trust Fund in 1976 with the proceeds of sales of some of its gold holdings, in order to benefit the poorest countries. Disbursements from the Trust Fund are now being repaid and Canada considers that these funds would be best employed in assisting structural adjustment in debtor countries in a manner which involves both the World Bank and the IMF.

Canada believes that the world economic outlook would be further improved by lower real interest rates and strenuous resistance to protectionism. Towards that end, budgetary deficits in a number of industrialized states should be reduced, and more expansionary policies in some other developed economies could have beneficial consequences in terms of greater trade flows.

The World Bank takes a longer-term view than the IMF as it is concerned with the implementation of proper development policies in less developed countries (LDCs). In this context, Canada believes that the World Bank will have to play a more active and dynamic role in assisting the structural adjustment process. Canada favours consideration of ways to strengthen the World Bank as well as to improve its cooperation with the IMF. Consequently, we support providing the Bank with a General Capital Increase. Canada also seeks a substantial replenishment of IDA in the current negotiations, to ensure that these limited resources are most effectively used.