

Multilateral Relations

IMF AND WORLD BANK

Toronto Conference

Canada played host to the thirty-seventh annual joint meeting of the International Monetary Fund (IMF) and the World Bank, held in Toronto from September 6 to 9. The conference was preceded by a convergence of delegations from over 140 countries, in Toronto to attend a series of meetings before the official conference. It was the largest international conference ever held in Canada, with an estimated ten thousand people in attendance, including twelve heads of state, as well as finance ministers and central bankers and five hundred journalists from around the world. The climate surrounding the meetings was of crisis and concern — the World Bank a week earlier had called the first years of the 1980s “the most prolonged period of economic slowdown since the 1930s” with both industrial and developing countries heavily in debt. The announcement in early September that Mexico had nationalized its banks had pointed out the fragility of national economies with rapidly increasing deficits.

The IMF is a Washington-based international organization whose functions include the lending of money to countries who have too low a credit rating to borrow extensively in private money markets to finance balance of payments in emergencies. It also oversees the effective operation and overall health of the international monetary system (*The Star*, August 28). The World Bank has 143 member countries and provides billions of dollars in low-interest development loans for projects in developing countries.

One issue dealt with at the conference was expansion of the quotas allowable to developing countries. The developing countries, represented by the Group of 24, wanted a doubling of quotas, an easing of terms and conditions governing IMF lending and a fresh allocation of special drawing rights (*Globe and Mail*, August 19). Mexico's decision to nationalize its banks under a staggering international debt concerned the developing countries, who wished to negotiate loans, and the bankers, who were encouraged by the IMF not to back out of Mexico (*Globe and Mail*, September 10).

Canada's participation at the conference included the charring of the main policy-making body of the IMF, the Interim Committee, by Finance Minister Allan MacEachen.

On September 6 it was reported that the Interim Committee had agreed to press forward with a program that would provide additional funds for financially-troubled countries. A communiqué from the 22-member committee said that there was “widespread support on the urgent need for substantial increase” in the contributions governments make to the IMF. It had been reported that the majority of finance ministers from large industrial nations were in agreement, but that the US, which exercises crucial voting power in the organization, was not in favor of a substantial raise in the quotas. US Treasury Secretary Donald Regan told a news conference that his country, which is also the largest contributor to the fund, could not provide the same degree of aid as in the past. Canada was among the countries who were willing to increase IMF funding to developing countries by 50 to 100 percent (*Globe and Mail*, September 6 and 7, *The Citizen*, September 7).

Prime Minister Trudeau, who opened the conference on September 6, said that he welcomed the proposal to make more money available to countries such as Mexico, and urged nations to pull together. He said that solving Canada's domestic problems “depends on our people identifying more closely with the common good and less with narrow sectoral interests” (*The Citizen*, September 7). He noted the bad condition of the world economy, and said that fear by countries, banks and corporations of default is drying up the international flow of capital.

Mr. Trudeau also expressed what was called “guarded support” for a US proposal to set up a new international emergency standby fund for countries in trouble (*Globe and Mail*, September 7).

During the week of meetings, some “strong and positive accomplishments” were made, according to Jacques de Larosière, IMF Managing Director. These were reported to be:

- the emergence of a consensus on the need to pursue anti-inflation policies in the industrial countries;
- an acceleration in the timetable for deciding on an expansion of the fund's lending authority or quotas;
- the agreement that the increase in quotas would be a substantial one;
- the initiative from the United States on the establish-