

**Informal Summary  
High-Level Segment  
of the Economic and Social Council in 2007**

**Roundtable on “Coherence and coordination of macroeconomic policies  
at all levels”**

**Palais des Nations, Geneva, 2 July 2007**

- Chair:** **H.E. Mr. Hjalmar Hannesson** (Iceland), Vice-President of the Economic and social Council
- Panelists:** **Mr. Augusto Correia**, President of the Portuguese Institute for Development Assistance  
**Mr. Murilo Portugal**, Deputy Managing Director of the International Monetary Fund  
**Ms. Ana Maria Carrasquilla**, Acting President of the Latin American Reserve Fund
- Moderator:** **Mr. Jomo Kwame Sundaram**, Assistant Secretary-General for Economic Development,

**H.E. Mr. Hjalmar Hannesson**, made the opening remarks.

**Mr. Jomo** explained the context in which this panel discussion was taking place. He noted that while national efforts are central for economic growth and eradication of poverty, external conditions have a direct bearing on the effectiveness of such national policies. Several actors are at play, including the International Monetary Fund (IMF) and the Group of 8 major countries (G 8), but the closer economic integration and changing global economic circumstances may require strengthened IMF and expanded framework than G 8. He noted the recent decision taken by the IMF on surveillance in this regard. He also stated that the regional nature of many recent financial crises had renewed interest in the potential role of regional macroeconomic policy coordination and regional financial cooperation. He recognized that the European Union was the most advanced regional cooperation mechanism in exercising a single market and, to the majority of the Member States, the monetary union. He further referred to regional coordination efforts taking place in developing countries and introduced the Latin American Reserve Fund (FLAR) as a successful example of showing what modest fund could do to address current account problems.

**Mr. Portugal** reported on the medium-term strategy of the IMF to strengthen its role in global coordination, using surveillance as the main mechanism. He highlighted the recent Executive Board approval of a new Decision on Bilateral Surveillance, overhauling the old procedure adopted thirty years ago. He explained that the surveillance is intended to foster international financial stability, taking into consideration spillover effects of national policies. Three important elements of the new Decision are: i) explicit recognition of domestic policies for stability and choices of exchange rate

regimes; ii) clear guidance for the Member States on how to run exchange rate policies; and iii) guidance to the Fund on how to conduct bilateral surveillance, which should be collaborative process, based on dialogue and persuasion, taking due account of country-specific circumstances and spillover effects.

He further explained that in order to strengthen multilateral surveillance, the Fund has launched multilateral consultations, which address issues of global concern. The first of these multilateral consultations focused on global imbalances and involved China, the Euro area, Japan, Saudi Arabia and the United States of America. He mentioned that the IMF also attaches great importance to regional surveillance.

He emphasized that the role of the IMF is rather advisory, achieved through dialogue, persuasion, collaboration and trust. He observed that it provides a more effective way of dealing with sovereign states, which have the final responsibility for action.

**Mr. Correia** presented the EU experience, which celebrated 50 years since the signing of the Treaty of Rome. Today, Europe without borders is benefiting from a single market of over 500 million people, under one rule of law and, for the majority, one currency.

In particular, he highlighted the Euro endeavour. He explained that membership in the Euro requires exchange rate stability as well as meeting a number of macroeconomic criteria, in return for reward, including low inflation, exchange rate and market stability, and increased trade and investment.

He further stated that the EU framework also provides mechanisms of surveillance of policies, through the Stability and Growth Pact. The two main organs in this regard are the European Commission and the European Central Bank. These two institutions are working on a Single Euro Payment Area to make transactions faster and cheaper by 2010.

For the EU, commitment to financial integration is clear, but integration is not an end in itself. It is a means to achieve a vibrant European economy and is closely linked to the Lisbon strategy for structural reform of the EU.

**Ms. Carrasquilla** presented the case for regional coordination and cooperation, highlighting the experience of Latin American Reserve Fund (FLAR). The growing interdependence between countries in financial and trade areas requires that financial support mechanisms be created at a regional level to allow the coordination of macroeconomic policies. The main reason for pooling is driven by security concerns and it helps to strengthen national and international financial systems against risks of crises.

She explained that FLAR provides for better investment and exchange-rate conditions, contributing to the harmonization of exchange rates and monetary and financial policies. It is a strong instrument for overcoming balance of payment crises. It also offers advisory services, which have gained increasing importance in recent years. She stated that regional reserves should also be used to promote the development of

financial markets and instruments that increase the capacity to resist volatility of capital flows. She emphasized that FLAR is complementary to other global funds and its policy has to be coordinated with the global institutions. It is working on increasing its capacity to provide assistance in a crisis.

During the interactive discussions, a number of delegations posed questions and commented on their experiences, most significantly on the purpose of achieving macroeconomic coherence and coordination, which is to bring about international macroeconomic stability so as to support the efforts towards meeting internationally agreed development goals.

The representative of **Pakistan** reminded that the theme of the roundtable was “Coherence and coordination of macroeconomic policies at all levels”, and stated that the discussion should also address the development perspective, which includes socio-economic objectives. He noted that compared to trade regime, which is characterized by tight regulations, monetary and financial systems have very few regulations. Pointing out that the IMF is becoming more and more marginal player in this regard, he questioned how the emerging situation should be addressed. He also pointed out that there is no institution which oversees the governance of international macroeconomic policies, and suggested that it could be carried out by ECOSOC or other UN forum. He underscored the need for creating a “Leaders’ Forum” under the rubric of ECOSOC, as recommended by the United Nations High-Level Panel on the System-wide Coherence.

The representative of **Belarus** highlighted the importance of sound macroeconomic policies in achieving growth. At the same time, he pointed out the importance of addressing human development and ensuring dignifying condition for people. He reported on the country’s experience in achieving economic growth as well as reducing poverty. He commended the UN system’s assistance and expressed his hope for increased ECOSOC’s role to meet the challenges of our time.

The representative of **Italy** stated that globalization could help countries in fulfilling the MDGs, but there was a need to assist those facing difficulties in reaping the opportunities. He noted that Italy is supporting the reform proposed by the IMF, including the one on quota. He suggested that closer cooperation should be promoted between the UN system and the World Bank. He also pointed out that one of the eight MDGs is on environmental sustainability and should be given due consideration while addressing the issue of economic growth. He emphasized that growth needed to be sustainable for future generations, highlighting the key role that the UN plays in this regard.

The representative of **Kazakhstan** also reported on his country’s experience with the use of long-term strategy as well as medium-term plans, in which GDP is expected to increase twofold by 2010. He explained that the country is actively cooperating with the international community, including with the IMF and the World Bank. He stated that the Government and the World Bank hold discussions on important economic issues, including overheating of economy and the possibility of inflation.

**Mr. Jomo** then posed specific questions to the panelists. He asked whether the IMF had the ability to exercise ‘suasion’ and whether the treatment between countries is asymmetric. He also raised the question regarding the voice and quota system at the IMF, pointing out that the basic votes have dropped from 11 per cent to just 2.1 per cent. He suggested that since most Member States of the European Union use the same currency, reduction of weight to the European Union may open up more quotas for other countries. With regard to regional cooperation, he acknowledged that FLAR was very effective in fending off current account crisis. By pointing out that the Asian crisis was considered as capital account crisis, he asked whether FLAR was ready for capital account crisis.

With regard to the question whether the IMF had the ability to exercise ‘suasion’ and whether the treatment between countries is asymmetric, **Mr. Portugal** explained that the IMF’s approach is that of “persuasion” and the IMF is trying to treat all countries in the same “evenhanded” way. The issue of “imbalance” is considered as a global problem and the IMF dealt with it in the first multilateral consultation. On the question of voice, **Mr. Portugal** responded that the IMF is working on a package including quotas and basic votes.

On the question of whether FLAR could address capital account problems, **Ms. Carrasquilla** responded that even if the current facilities of FLAR do not address capital account crisis, the Board could exercise its flexibility to create a tailor-made credit facility.