

European Bank for Reconstruction and Development Launched

The inaugural meeting of the European Bank for Reconstruction and Development was held in London on 16 April. The occasion marked the launching of this international financial institution whose major purpose is to foster economic and political reform in the countries of Central and Eastern Europe willing to develop economies more market-based and to pursue democratisation.

The charter of the bank provides a clear mandate that focuses on the processes of political and economic reform in borrowing countries; it is this aspect of the bank's activities that distinguishes it from other international financial institutions. In addition to the political advantages that could flow from Australian membership of such an institution, Australia's decision to join was to a large extent driven by the opportunities for investment and trade with the emerging economies of Eastern Europe.

The Treasurer, Mr Paul Keating, is Governor for Australia of the bank.

The combination of political and trade factors gives the Department of Foreign Affairs and Trade a special role to play in Australia's participation in the bank and the appointment of the Secretary, Mr Woolcott, as Alternate Governor serves as an institutional marker of the portfolio's role in the bank and ensures our involvement will be ongoing.

Mr Woolcott attended the inaugural meeting of the bank. Following is the text of his speech:

The historic and dramatic changes that have swept Europe - particularly Eastern Europe and the Soviet Union - including the end of the Cold War and the movement towards market economies and democratic institutions have global implications and have changed forever the face of Europe.

The old order in Europe is crumbling and new institutions are evolving. The establishment of the bank is both a manifestation of this end and an important initiative in supporting change and liberalisation in Eastern Europe.

Australia is a country of the Asia-Pacific region, far from Central and Eastern Europe. But we have many close historic, cultural and family ties, as many migrants from the countries of Central and Eastern Europe have settled in Australia over many decades. It is therefore natural that despite the barriers of distance we intend to take a keen interest in the dramatic political and economic advances that are now occurring in Central and Eastern Europe and to do what we can to support them.

The task ahead in undertaking the massive economic, political, legal and structural changes required in these countries will be complex, as the legacy of the past cannot easily be put aside.

Yet a successful outcome is vitally important not only for the countries themselves and their European neighbours but also globally, for the example it will provide to others and the implications for the international economy.

As one of the nine non-European members of the bank Australia hopes to be able to contribute to a wider, more global perspective on some of the issues the bank will need to address. Although it is important for countries in Central and Eastern Europe to develop links with Western Europe it is equally important that these economies participate fully as members of the international community.

The bank has an important role to play in encouraging the integration of these economies into the multilateral trading framework, in a way which yields the undoubted benefits of an open and liberal trading system. Australia hopes that these newly emerging economies will be international in their outlook and that they will avoid the temptation to replace inefficient centralised systems with structures which could perpetuate distortions in international markets, such as those which, at present, apply under the Common Agricultural Policy of the European Community.

In moving to a market system the governments of Central and Eastern Europe should endeavour to bring their national standards and trade-policy approaches into line with international norms, as embodied in the General Agreement on Tariffs and Trade.

More generally, the bank's activities should promote Central and Eastern European countries' realisation of the opportunities for trade, investment, and other forms of cooperation, with non-European countries, as well as with Western Europe. The bank will be assisting them in their process of throwing off an economic system that has failed to develop efficient and competitive industries. They should ensure that in the course of the process they seize the opportunity to promote their efficiency and competitiveness by opening their economies to the world.

This bank differs from other multilateral development banks in its emphasis on developing the private sector and in its requirement that the countries in which it conducts its operations must be proceeding steadily in the transition towards market-oriented economies and applying the principles of multi-party democracy, pluralism and market economics. The bank will face major challenges in the period ahead in applying them. But these requirements are central to the bank's charter. They have the full support of the Australian Government, and we also hope the Australian private sector will actively seek opportunities as the bank's programs develop.

In the preliminary meetings that have already been held considerable progress has been made in developing sound operational and financial policies. Much, of course, remains to be done in establishing a sound framework for effective programs and strategies and in developing the areas of expertise where the bank can best make its special contribution.

In developing the bank's policies and functions, the board of directors has a key role to play. The articles provide for a relatively large resident board. Properly used, this should be of great value to the bank - particularly in its formative stages - in developing a close working relationship between members and bank management. The board should be actively involved in the development of policy and the conduct of operations as a partner with management and it should be closely concerned with the extent to which the bank's objectives are being met. Australia regards objective and independent evaluation of the outcome of projects as a vital part of the operating procedures of development banks and the board as having a central role in terms of accountability to shareholders.

The New Zealand Government is represented here today as an observer only because ratification of its membership of the bank is not yet complete. When New Zealand does complete its ratification process, I anticipate it will join the Australia, Republic of Korea and Egypt constituency. In the meantime, New Zealand wishes to be associated with this statement.

I wish to thank Mr Jacques Attali for his pioneering role in presiding over the conception and development of the bank and to congratulate him on behalf of Australia on his election as president. He is gathering together an impressive staff, an impressive team, and I wish them and the bank well in the great task ahead.

I would also like to thank the Government of the United Kingdom for hosting this historic inaugural meeting, for its very generous and warm hospitality and for making London available for the bank's headquarters.

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