THE BRETTON WOODS COMMITTEE

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Bretton Woods Committee Annual Meeting 2010

On February 26, 2010, the Bretton Woods Committee hosted its 27th Annual Meeting in Washington, DC. The meeting took place at the World Bank headquarters and featured leaders in finance, trade and development, including the three heads of the Bretton Woods Institutions: World Bank President Robert Zoellick, IMF Managing Director Dominique Strauss-Kahn and WTO Director-General Pascal Lamy. One of the highlights of the Annual Meeting was the welcoming of **James Wolfensohn** as the new Committee Co-Chair. The meeting received wide media coverage from various outlets, including C-Span, Wall Street Journal, Bloomberg and Reuters.

Speaking via video conference, Director-General **Pascal Lamy** spoke about the role of the WTO in global economic cooperation. He outlined four renewed responsibilities of the WTO: 1) Rule making: includes issues relating to tariffs, subsidies, intellectual property rights and government interference, among others; 2) Rule enforcing: looks at creating a balance between private and public interests and is becoming an increasingly important element as the world exits the financial crisis; 3) Capacity building: recently expanded to include programs focused on the regional efforts of the World Bank, WHO and the IMF; and 4) Research: projects by the WTO are cross-organizational by nature and will continue to build relationships and partnerships with other Bretton Woods and multilateral institutions. Mr. Lamy also shared his future vision for the WTO, an increased engagement in field operations and ground coordination in partnership with the United Nations.

President **Robert Zoellick** cautioned that major challenges still remain even though the worst of the financial crisis has been avoided. In particular, he cited problematic aspects of East Asian countries leading a multi-speed recovery effort and the rising rate of unemployment, which has affected financial transactions, loans and the real estate market. He also warned against protectionist tendencies.

Mr. Zoellick also addressed the changing nature of business transactions, responses and investment trends following the financial crisis. As developing countries paved the path towards recovery, new partnerships and cross border exchanges began to emerge – cross border exchanges were formerly limited to North-South partnerships; however, South-South and South-North partnerships are beginning to form. These developments have encouraged investors to explore new avenues for capital, tapping into many of the developing countries' resources.

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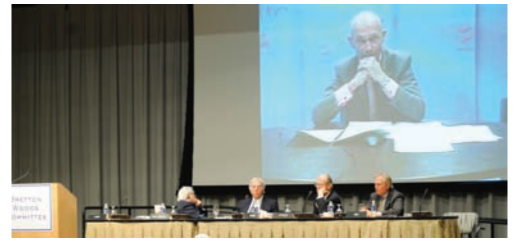
BWC Highlights

Two other areas affecting both developed and developing countries, which require collective action are the climate change issue and government anti-corruption programs. Mr. Zoellick focused on the World Bank's own efforts to increase its transparency: improving access to information in a manner similar to the United States' Freedom of Information Act. Sharing information and knowledge, he said, are crucial aspects of collective responsibility and action.

Managing Director **Dominique Strauss-Kahn** focused on the Fund's renewed vision for the 21st century. He said this vision should respond to the many challenges the member countries face in the post-crisis era and the new mandate should 'cover the full range of macroeconomic and financial sector policies that bear on global stability in the modern world and strengthen the Fund's role as "guardian of systemic stability."' In this context, he outlined three key priorities: 1) *Improving Crisis Prevention:* IMF would improve the oversight of systemic and financial risks through a new multilateral surveillance procedure. The IMF would also address a range of international policy challenges; 2) *Bolstering Crisis Response:* IMF would improve the speed, coverage and size of the IMF lending capabilities for a system-wide crisis through a short-term and multi-country credit lines. It would also improve its Flexible Credit Line and the access to regional reserve pools; and 3) *Strengthening the International Monetary System:* The IMF could provide liquidity as it addresses the challenge of "finding ways to limit the tension arising from the high demand for precautionary reserves on the one hand, and the narrow supply of reserves on the other."



Mr. Strauss-Kahn said the IMF must also tackle the governance issue in order to sustain and gain further legitimacy, which would require the full support of its membership. He ended his statement by reiterating the importance of multilateralism, saying, "If this crisis taught us anything, it is that the world needs even more multilateralism today than it did when the Bretton Woods institutions were founded in 1944."

Angel Gurría explained how the OECD facilitates the exchange of expertise in public policy and serves as an example of the shape that international cooperation may take to help governments to resolve their problems. In the future, he called for a coherent global policy and coordinated efforts between the World Bank, WTO, IMF and other institutions.

During the luncheon discussion, **James Wolfensohn** urged participants to consider Africa's impact on future global stability. Panelist **Matthew Bishop**, New York Bureau Chief and American Business Editor of The Economist provided a U.S. perspective to the financial crisis. Ambassador **Angelos Pangratis**, Acting Head of the European Union Delegation, covered the topic of Europe's Exit Strategy from the Economic Crisis.

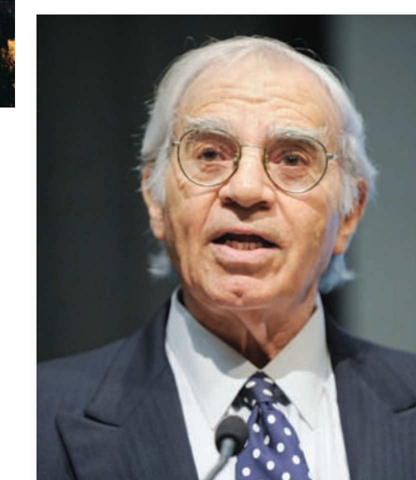
For a full summary of the meeting, including audio and video recordings of the sessions, please visit our website at www.brettonwoods.org

The Bretton Woods Committee would like to thank the **National Bank of Kuwait (NBK)** *for their Strategic Partnership and sponsorship of the 2010 BWC Annual Meeting.*

International Council Annual Meeting 2009 & Luncheon for Global Financial Leaders

On October 2, 2009, the Bretton Woods Committee hosted its annual International Council Meeting and Luncheon for Global Financial Leaders in Istanbul, Turkey. The meeting took place in conjunction with the 2009 World Bank/IMF Annual Meetings. The program involved roundtable discussions on global financial reform efforts and the role of emerging market economies in shaping the global economic and development agenda.

Richard Debs, Chair of the International Council, led the meeting and discussion. Turkey's Deputy Prime Minister and Minister of State **Ali Babacan** welcomed participants and framed the discussion. Minister Babacan endorsed consensus points that emerged at the September G20 Pittsburgh summit including the need to strengthen international financial regulation, promote coordinated national exit strategies and reform governance structures of the international financial institutions. He urged the strengthening of the IMF surveillance mechanism and increasing voting shares of underrepresented countries to enhance the institution's effectiveness, legitimacy and credibility. He noted Turkey's unique fortune to have sidestepped many of the problems stemming from the global financial crisis: Turkish banks did not require bailouts and its insurance funds had adequate financing. Moreover, he said, the government took proactive measures by announcing and adopting an exit strategy that incorporated tightened fiscal targets.



Richard A. Debs

The discussion on global financial reform touched upon numerous unresolved challenges that would require multilateral responses. This segment featured presentations by **Andrew Crockett** of JP Morgan Chase International, **Josef Tosovsky** of the Financial Stability Institute and **Jacob Frenkel** of the Group of Thirty. Participants agreed that recent institutional changes – including new legitimacy conferred upon standard setting bodies like the G20 and Financial Stability Board along with new mandates on the IMF – would encourage solutions that would represent a more global perspective. Majority of the participants expressed concern that much needed political will to tackle critical financial reforms will be harder to muster if the global economic recovery continues.

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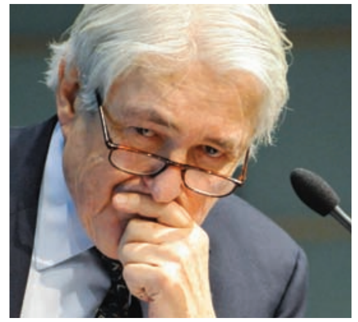
BWC Highlights

The discussion on emerging market countries (EMCs) featured speeches by **Hans-Joerg Rudloff** (Barclays Capital), **Tharman Shanmugaratnam** (Singapore's Finance Minister), **John Chambers** (Standard & Poors) and **Hisham Al Razzuqi** (Gulf Investment Corporation). Participants welcomed the evolution of EMCs as genuine partners with developing country governments, notably with the endorsement of G20 as leading decision making body. Similarly they noted the resilience of EMCs in spite of the economic crisis - an indication of the vibrant growth of domestic capital and healthy levels of sovereign debt issuance displayed in numerous countries. In order to further strengthen their credibility on the world stage EMCs will need to improve the conditions within their internal markets and regulatory regimes (e.g. court systems, corporate ownership structures, bankruptcy procedures, and transparency and the rule of law).

James Wolfensohn provided the keynote address at the luncheon. He challenged the Bretton Woods Committee to focus its attention on the plight of the least developed countries, which by 2050 will be home to 2.3 billion people living in absolute poverty. He said that this will represent 1/4th of the world's population. Mr. Wolfensohn emphasized that this is not only a human tragedy of great proportion, but it is in the interest of the world's richest countries to ensure the improvement to their plight.



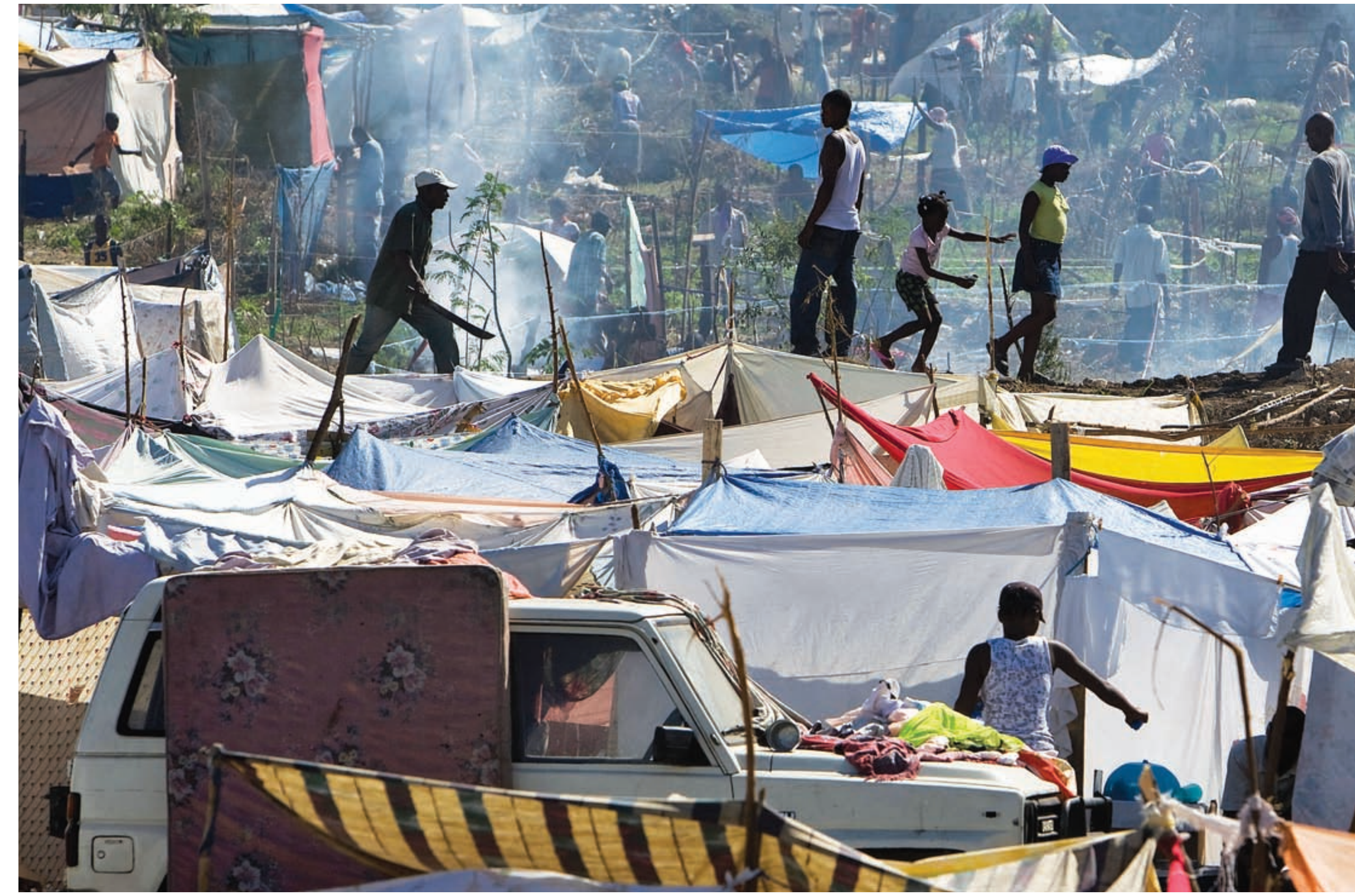
James D. Wolfensohn

The Bretton Woods Committee would like to thank Barclay's Capital for their Strategic Partnership and sponsorship of the 2009 Luncheon for Global Financial Leaders.

Ali Babacan

Legislative Review

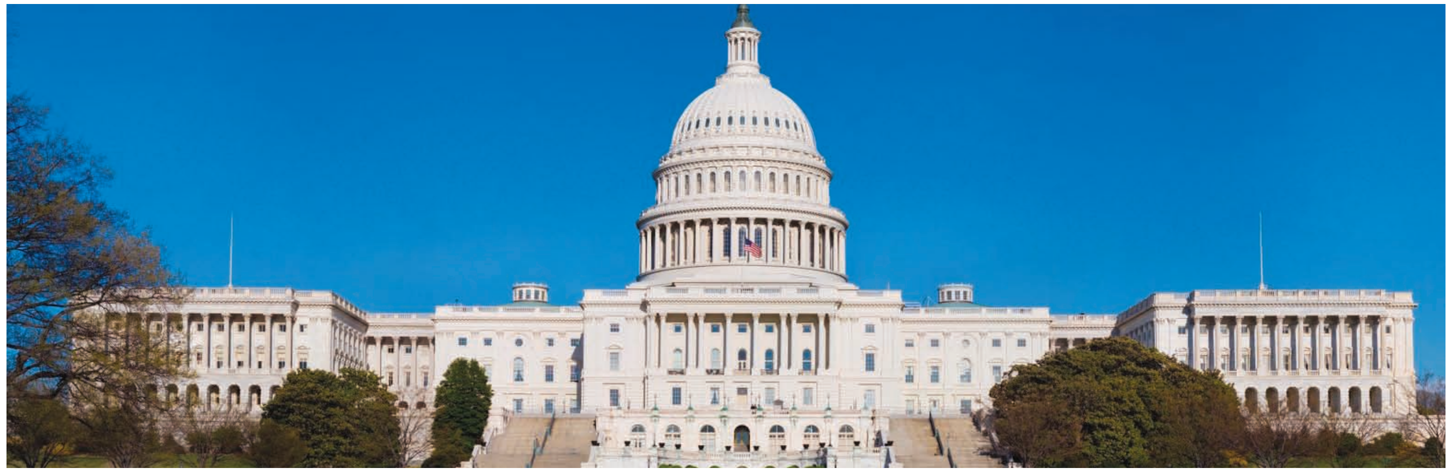
View from Capitol Hill



Haiti

Since the January earthquake, the devastation in Haiti has filled the news and become a principal focus of the multi and bilateral aid agencies. The depth of the destruction (now estimated at $14 billion) and the difficulties in restoring even basic economic order, highlight the limitations of development assistance in countries with considerable political instability and massive governance failures. Recovery and development experts and the Haitian government are now drawing up a long-term reconstruction and development plan which will be presented to international donors at a meeting in New York at the end of March.

A Haiti Reconstruction Fund financed by foreign donors will be created and jointly managed by representatives from both Haiti and the donors. The World Bank, the Inter-American Development Bank and the United States government will be among the largest contributors to this fund. This week, the IDB governors approved a major new capital increase in part to enable the bank to provide Haiti with as much as $2 billion in grants over the next decade and to forgive nearly a half a billion dollars in Haiti's debt.



FY11 Budget

On Capitol Hill, the foreign assistance community has been hard at work making the case for a larger foreign assistance budget. This annual effort is led by the US Global Leadership Coalition, a well-organized lobbying campaign to which scores of groups including the Bretton Woods Committee belong and who make the case together for increased funding for foreign assistance and national security.

In February, President Obama released the FY-11 budget request. It calls for an overall 1% increase in discretionary spending and includes a freeze on non-security appropriations at FY-10 levels (although a few domestic programs would be exempt).

The Administration's request seeks $58.5 billion for the International Affairs Budget representing an 11.6% increase over FY-10 spending. The growth is concentrated heavily on assistance to Afghanistan, Pakistan, and Iraq, in line with the Administration's military strategy. In fact, nearly 60% of the increase for this account goes to what the State Department now calls the "Frontline States," leaving a modest growth of $2.5 billion for all other international affairs programs.

In addition to the FY-11 budget request, the President also submitted an FY-10 supplemental $41 billion request for the war, which includes $4.5 billion for international affairs spending for Afghanistan, Pakistan, and Iraq.

Annual Funding Issues

Once the budget allocations are agreed, the focus will turn to the individual program funding requests, and Secretary Geithner is scheduled to testify soon on the multilateral requests. Both IDA and the IMF were reauthorized last year, so Congress will not have to deal with new contentious authorizations now. However, annual appropriations for the international financial institutions can always end up being problematic, particularly in tight budgetary times. Looking to the future, the World Bank, the Inter-American Development Bank, the Asian Development Bank and other regional development institutions will need sizable capital increases. Negotiations for these increases have either been concluded or are ongoing and are expected to be finalized in coming months, and new authorizing legislation will be sought in 2011.

*Later this spring, the **Bretton Woods Committee** plans to organize an informal Congressional working group comprised of members willing to help us in the Congressional education effort. A number of members have already volunteered; others will likely be Shanghaied, but if you are willing to help, please contact us.*

IMF

IMF Managing Director Addresses Possible Threat to Recovery

"... It's the whole stability of the world that is at stake, and that's why sustainable recovery goes much further than only the rate of growth."

Dominique Strauss-Kahn

While indicators suggest significant improvements in the status quo, IMF Managing Director Dominique Strauss-Kahn emphasized the importance of the IMF's role in heading off threats to recovery. During a trip to Asia, Mr. Strauss-Khan identified several areas that are of key concern, including the growing unemployment rate, the risk of asset bubbles, damaged financial systems, the global decrease in stimulus measures and a weak private demand. He pointed out that the emerging markets, particularly Asia, are leading the way to recovery. On a positive note, developed countries are improving economically at a rate faster than previously anticipated. Although a double dip recession is unlikely, private demand is still low, suggesting a continued need for government backed stimulus.

Mr. Strauss-Kahn outlined several areas that should be the focus of governmental and IMF support: First, building sustainable recovery, specifically, governments should use stimulus measures to create jobs so as to prevent social unrest. He explained, "When we are working to try to achieve economic and financial stability, what is at stake is not only dry figures on a piece of paper. It's the whole stability of the world that is at stake, and that's why sustainable recovery goes much further than only the rate of growth."

Second, governments should also address the crisis' roots, such as the lax regulation of financial markets.

Third, the crisis has helped to bring countries together with unprecedented success. The IMF will continue to provide analytical support for the G20's efforts.

Finally, the IMF will continue to change its governance structure to better suit the needs outlined by the crisis. Some changes, such as the more flexible loan facilities, have already helped to combat the crisis and its future ramifications.

WTO

Vigilance Against Protectionism

The latest report by the WTO, OECD and UNCTAD on G20 trade and investment measures, submitted on 8 March 2010, outlines that high unemployment rates and uncertainties on global growth point to the need for G20 governments "to remain vigilant in opposing protectionism." The three agencies urged the G20 leaders to undertake "a clear and stronger commitment to open markets and make concrete their many calls to bring the Doha Round to a rapid conclusion." At a time when governments are constrained in offering further fiscal or monetary stimulus, open trade can give the global economy a much-needed lift and provide valuable opportunities for job creation. Currently, the volume of world trade is estimated to have fallen around 12 percent.

However, there is also recent evidence of a resumption of growth through the recovery of Asia-Pacific countries; OECD indicators suggested recovery and expansion among the G7 countries, particularly in Brazil, China, India and Russia. G20 members, for the most part have avoided the use of trade restrictive policies and escalation of protectionism. The impact of those few members who maintain such restrictions have been limited. G20 policies have been directed towards opening markets and facilitating investment growth and clarity for foreign investors.

Despite these successes, the potential for protectionist measures to develop remains significant. The emergency measures that have kept firms alive during the crisis may now "jeopardize governments' impartiality in policy making and law enforcement." Some G20 members still maintain measures that may potentially restrict trade and have instituted trade defense mechanism. These types of policies are particularly evident in industries already affected by high protectionism, such as mineral, textiles, and metals. These are also industries prevalent in developing countries, and thus protectionist measures must be monitored so that their economic recovery will not be stilted.

Given the relative success of the G20 leaders in fending off domestic pressures of low rates of job creation, the failure to complete the Doha Round ought to be considered as a minor setback. The consistency of countries to not resort to protectionist policies gives backbone to the policies that will be solidified during the conclusion of the talks. As such, the next concerted efforts should be in bringing the Doha Round to a conclusion. Concluding the trade talks would send a clear message against protectionist policies and limit the opportunities for countries to create new trade restrictions; thus helping both present recovery efforts, as well as dispelling fears of future protectionist policies.

The three agencies urged the G20 leaders to undertake "a clear and stronger commitment to open markets and make concrete their many calls to bring the Doha Round to a rapid conclusion."

World Bank

Relief Efforts Towards Haiti and Chile

The relief efforts directed towards the earthquakes in Haiti and Chile are indicators of the potential success of global cooperation and effort. In both cases, the World Bank has had a significant role in financing, assessing damages, rebuilding and in providing continual technical support to the people and government of the two nations.

Following the aftermath of the earthquake in Haiti, World Bank has been actively working to recover and assess the needs of Haitians affected by the disaster. Teams have provided an additional $100 million towards Haiti's reconstruction and development of schools, roads, disaster risk management and a wide range of community-driven projects that have successfully helped Haitians in the past. World Bank sources estimate that in agriculture and infrastructure efforts alone, community-driven initiatives have supported 57 percent of the population of the rural communities covered by the program. The International Development Association (IDA), World Bank arm that supports the poorest of the poor countries with interest-free credits and grants has provided a total of $308 million to Haiti since January 2005.

The same team that initiated relief efforts in Haiti also implemented their plan of action, honed from their recent experiences, to the 8.8 magnitude earthquake in Chile. Bank experts started the initial phase of the four-step assistance plan with satellite imagery analysis so as to assess infrastructure and to evaluate the need for technical expertise. The Bank is currently working as part of a larger team in alliance with volunteers and relief groups such as Crisis Camp. After the groundwork is completed and damaged assessed, the World Bank plans to provide technical assistance and support to the Chilean government. Because of the larger affected territory, collecting data and imagery in relation to the quake may take longer and may prove to be a more challenging task than in the case of Haiti. However, initial estimates show that Chile's relatively strict building codes have made Chile's per capita damage much less than Haiti's. The World Bank continues to monitor and provide financial and technical assistance to both of the recent disaster-stricken countries.

Leadership Update

Appointments

James D. Wolfensohn

James D. Wolfensohn was announced as the new Co-Chair of the Committee following the stepping down of E. Gerald Corrigan from the role. He is currently Chairman of Wolfensohn & Company, LLC, a private investment and advisory firm; Chairman of Citi International Advisory Board; and advisor to Citi on global strategy and international matters.

Mr. Wolfensohn was the ninth president of the World Bank Group (1995-2005) and the third president in the Bank's history to be reappointed for a second term. As World Bank President, he led successful initiatives on debt reduction, environmental sustainability, anti-corruption, and AIDS prevention and treatment. He pioneered activities on religion and culture, and decentralized Bank offices. He served as Special Envoy for Gaza Disengagement for the Quartet on the Middle East (2005-2006) and founded in the Wolfensohn Center for Development at the Brookings Institution in 2006 to focus on global poverty issues.

Prior to joining the World Bank, Mr. Wolfensohn held senior positions in international finance, including President and Chief Executive Officer of James D. Wolfensohn, Inc.; Executive Partner of Salomon Brothers in New York and head of its investment banking department; Executive Deputy Chairman and Managing Director of Schroders Ltd. in London; President of J. Henry Schroders Banking Corporation in New York; and Managing Director of Darling & Co. of Australia.

Mr. Wolfensohn has been actively involved in cultural and philanthropic activities, including chair of the Board of Carnegie Hall and Chairman of the Board of Trustees of the John F. Kennedy Center for the Performing Arts. He was one of the founding members of the Bretton Woods Committee in 1984.

Naoyuki Shinohara

Naoyuki Shinohara was nominated by IMF Managing Director Dominique Strauss-Kahn, to the position of Deputy Managing Director. Mr. Shinohara, a former Vice Minister of Finance for International Affairs of Japan, will succeed Takatoshi Kato.

In announcing his selection of Mr. Shinohara, Mr. Strauss-Kahn said that his nomination came due to his vast experience in the arena of international finance. From July 2007 to July 2009, he served as Japan's Vice Minister of Finance for International Affairs. In this post, he was in charge of developing and implementing Japan's policy responses to the global crisis, especially in the international finance sphere. He participated in IMFC, G7, G20, ASEAN and other meetings as the Finance Minister's Deputy. He also promoted multilateral and bilateral cooperation efforts, including in Asia such as the Chiang Mai Initiative.

Mr. Shinohara has a deep knowledge of the IMF and he has occupied various senior positions in the International Bureau of the Ministry of Finance. He also has personal experience working in an international institution, having served as Japan's Executive Director at the Asian Development Bank during 1998-2001.

Mr. Shinohara holds degrees in economics from Tokyo University and public affairs from Princeton University.

Leadership Update

Appointments

Zhu Min

Mr. Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF) named Zhu Min, currently Deputy Governor of the People's Bank of China, as a special advisor to the Managing Director. Mr. Zhu Min, who joined the Chinese central bank in 2009 after more than a decade as a senior executive of the Bank of China, is expected to assume his position on May 3, 2010.

As Deputy Governor of the People's Bank of China, Mr. Zhu is responsible for international affairs, policy research, and credit information. Prior to his service at China's central bank, he held various positions at the Bank of China where he served as Group Executive Vice president, responsible for finance and treasury, risk management, internal control, legal and compliance, and strategy and research. Mr. Zhu also worked at the World Bank for six years, and taught economics at both Johns Hopkins University and Fudan University.

Mr. Zhu received a Ph.D and an M.A. in economics from Johns Hopkins University, an M.P.A. from the Woodrow Wilson School of Public and International Affairs at Princeton University, and a B.A. in economics from Fudan University.

Departure

Graeme Wheeler

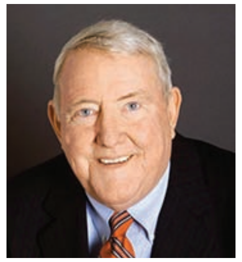
After almost nine years in senior management positions, including four as Managing Director, and 12 years in the World Bank, Graeme Wheeler has announced that he will leave the World Bank by the end of the fiscal year to pursue new career opportunities.

Mr. Wheeler joined the Bank in 1997 as Director of the newly established Financial Services Department, after a distinguished career in the New Zealand Treasury where he served as Deputy Secretary. He was promoted to World Bank Treasurer in 2001. Working with his management team, he strengthened Treasury's risk management capacity, expanded its client services work, and established a government debt management practice.

In 2005, Mr. Wheeler was appointed Acting Managing Director for the Bank and was subsequently selected for this position in April 2006. In December 2007, following the reorganization of Managing Director roles, Mr. Wheeler assumed responsibility for the Bank's Networks, the World Bank Institute, and the General Services Department.

Mr. Wheeler led the Bank's engagement with the G-20, G-7, the Development Committee Deputies, and the International Monetary Fund, playing a pivotal role in the Bank's response to the global financial crisis. He is well respected for his knowledge of economics, finance and markets, and their interplay with development policy.

Special Thanks



E. Gerald Corrigan

The members of the Bretton Woods Committee and its leadership wish to express their gratitude to E. Gerald Corrigan for his leadership and important contributions during his tenure as a Co-Chair. Jerry announced last fall that he would be stepping down after 10 years of service to the Committee. Jerry serves as Managing Director of Goldman Sachs & Co. and Chairman of Goldman Sachs Bank USA , and he is a former President of the Federal Reserve Bank of New York . He succeeded Paul A. Volcker as Committee Co-Chair and helped guide the group through a period of growth in which the membership doubled and the group began its process of internationalization.

An acknowledged expert on risk management, Jerry led most Committee initiatives dealing with sovereign debt and global financial reform. Together with former Congressman Bill Frenzel, and Richard Debs, Advisory Director at Morgan Stanley, Jerry helped the Committee move onto a sound financial footing. He has been very generous both in the giving of his time and his personal financial support to the Committee. He has also been a major benefactor to his alma maters, Fairfield and Fordham Universities, along with many other important causes. His wise counsel will be missed at the Committee.

In Memoriam

Jacques Polak

Jacques Polak, BWC member and the last surviving member of the original Bretton Woods delegation that met in New Hampshire in 1944, passed away on February 26, 2010.

Mr. Polak's career at the IMF spanned four decades. IMF Managing Director Dominique Strauss-Kahn paid a special tribute to Mr. Polak, describing him as the "iconic figure in the long history of the IMF" and that his 70 years of experience as an economist "established him as a leader of critical thought during the post-war evolution of the global economy." Mr. Polak, who was a member of the Netherlands delegation to the Bretton Woods Conference in 1944, joined the staff of the IMF in 1947, serving first as Chief of its Statistics Division, and then, from 1958 to 1980, as Director of the Research Department. In 1966 he was appointed IMF Economic Counsellor. After his retirement from the IMF in 1980, he returned as Executive Director for the Netherlands constituency from 1981 to 1986. Trained at the University of Amsterdam, he worked for the League of Nations, the United Nations Relief and Rehabilitation Administration before joining the IMF.

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