CONCLUDING REMARKS

STATEMENT BY THE CHAIRMAN OF THE EXECUTIVE BOARD AND MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND

M. Camdessus

It has been stimulating to hear the views of Governors on the occasion of this historic meeting as our Chairman has called it. Governors have discussed the wide variety of problems that face us—that face all our countries—today. I have been impressed by the acknowledgment that problems exist, and by the widespread support for the proposition that we need to address them with realism; to start by improving policies in many member countries and making cooperation among them truly meaningful.

This could help to extend to the broader aspects of our global problems what the Governor for India told us about his country; that it had "converted an unprecedented crisis into an exciting opportunity."

Yes, I believe the Governors want to transform the present unprecedented challenges into exciting opportunities.

That is a test of leadership, in any country, and a test of our mechanisms for international cooperation. In listening to Governors' observations, I have asked myself—are we doing all we can to overcome present difficulties in ways that will create the scope for a better outcome in the years to come? Consider the following:

The crisis of debt and growth in the developing world. A few years ago debt dominated our discussions and colored all our work with the developing countries, many of which also were achieving very low growth. They have come a long way since then. The debt crisis was first managed, then tamed. Many debt-encumbered countries have emerged from difficulties and are now among those that show sustainable growth and external viability. Others have not yet overcome their difficulties—but it is very clear what they have to do—to embark on the same kind of program that has worked for the others. There is now virtually unanimous agreement on what policies work. There was no longer any mention, I think, of the so-called alternative strategies—for dealing with debt, or for promoting development. Indeed I have a distinct feeling that many Governors are now assessing the strength and stability of the pillars of their strategies, and are making sure that there are seven of them!

We see now, in the much stronger performance by many developing countries, an opportunity to make significant progress toward eradication of poverty and improvement in the lives of millions. Governors have supported the Fund's contribution to progress in the developing world—and we will continue to do all we can—to promote sound policies in each and every country, and to work hard to galvanize support from the international community for your courageous programs. Among the Fund's own facilities for extending financial assistance, I welcome the many expressions of support for ESAF, and for our intention to work soon on renewal of ESAF or a successor facility. We will give this high priority.

Another crisis that is now being turned into an opportunity was in the command economies—in Eastern Europe, the former Soviet Union, and several countries in Asia and elsewhere. We have heard the Governors for Armenia, Azerbaijan, Belarus, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Moldova, Poland, Russia, Ukraine, and Viet Nam; they have explained their concerns, their hopes, and their strategies. They have requested our support. We must not fail them.

The countries in transition have experienced the profound shock of the collapse of an outmoded economic system, and they are struggling to establish democracy, with all that this entails—private rights and obligations, a rethinking of the role of the state, creation of new institutions. The opportunities they face are unprecedented—not least the chance to build up, at last, a genuinely productive and efficient economy that will give people the chance to earn, by their initiative and hard work, a better standard of life for themselves. It is a privilege for the Fund to play its central role in the early stages of this revolutionary transformation. Many Governors recognized the important interlinkages between sound macroeconomic policies, structural reforms, and institution-building, and the importance for the countries in transition to act boldly on all three fronts, from the outset. The Fund has to formulate useful policy advice, provide technical assistance that really contributes to the building of good institutions, and extend our conditional financial assistance in an appropriate way. The Fund will work in close cooperation with other institutions and many countries in helping the new members.

The *industrial countries* also face major problems. Are they also turning them to advantage, and learning from recent experience how to achieve a stronger performance in the years ahead? Here I would distinguish between two types of problems, which are closely related.

The first problem of the industrial countries is their disappointing economic performance, in terms of growth and the long-persisting high levels of unemployment in many of them. More generally, there has been a crisis of confidence in the industrial countries—a questioning of the adequacy of economic strategies, and doubts about the effectiveness of cooperation among them. I have been struck in recent days by the large number of Governors who have dwelt on this point. They have expressed concerns about the failure of almost all industrial countries to pursue fiscal restraint, labor market reforms, and trade liberalization as vigorously as was desirable. One consequence has been an overloading of monetary policy—a topic I will come back to. Another has been the sluggish growth of the industrial countries as a group. And a third results from the low level of national savings. It is very regrettable that the industrial countries, as a group, have shown sizable current account deficits and have not fulfilled their traditional and proper role as net providers of capital to the rest of the world. No wonder that there has been an erosion of confidence in the prospects for some of the industrial countries.

Several Governors have also remarked that the quality of policy coordination and cooperation among the industrial countries could—let us say—be improved.

The second major problem has been the recent turmoil in exchange markets. How can we learn from this crisis and turn it into an opportunity to improve the performance of the industrial countries, and to strengthen the international monetary system?

In listening to Governors on this subject, I have been struck by the following:

- The industrial countries owe it to themselves to try to have stable and sound currencies, and they have a responsibility to the rest of the world to try to coordinate their policies effectively to maintain reasonably stable relationships. Such stability, desirable in itself, is also a litmus test that shows whether markets regard the underlying policies as sound. This is a major purpose of the Fund, assigned to it in our Articles of Agreement.
- The industrial countries cannot aim at exchange rate stability, however, without backing it up with sound and compatible macroeconomic policies. Markets are quick to recognize when announced objectives are not accompanied by strong policies that make those objectives achievable. As recent events demonstrate, markets act quickly and very powerfully. Some have suggested—that the European system of fixed but adjustable rates was not viable, and that it was impracticable to attempt to move from this to a finally fixed set of exchange rate relationships. I reject that view. Rather, the lesson is that any such joint objective must be backed up by a genuine convergence, both of policies and of performance, to be sustainable. I am confident that the European countries will work together to strengthen their own policies and their policy coordination.
- Another lesson from the recent exchange crisis was commented on by many Governors. It is that the disappointing performance of most of the industrial countries, and the tensions in markets, reflects an inadequacy in the arrangements for policy coordination at the international level. It reflects also the fact that the existing methods

of monitoring exchange markets, and the techniques of central bank and government cooperation on these issues, should be re-examined. They were developed at a time when scope for financial flows was less—before the expansion due to financial deregulation and the electronic revolution, and when central banks and governments still had available some instruments, such as exchange controls, that we would not wish to see restored.

I think that all will recognize that we face here an issue of major importance. We will work on this and make proposals to the Interim Committee and the Board of Governors.

Many Governors have called for an improvement in the quality and effectiveness of the Fund's surveillance of the major industrial countries. We will work to achieve this, and I trust that the entire membership, as represented in the Executive Board and the Interim Committee, will join to make this possible.

I have welcomed the frankness with which Governors of so many countries have offered their suggestions, encouragement, and support. You have asked the Fund to do more, and to do it better, so as to fulfill our mandate more effectively. You are right to do so. The Fund should do more in each of these areas, to help revive growth and restore stability in the member countries, and to strengthen the international monetary system. As you know, the Fund is now overstretched, in both its human and financial resources. I appreciate very much the expressions of support for the staff, of satisfaction with the work that it is doing, and of recognition that we are overstretched. We will need adequate human resources to do the work. On financial resources, also, I welcomed the many expressions of support for the quota increase, which is now long overdue.

The request by Governors for the Fund to do more is an encouraging vote of confidence. We will respond. Thank you, and may I wish you all a safe journey home.

Statement by the President of the World Bank Group

Lewis T. Preston

These have been productive meetings. We have welcomed our new members and discussed the new challenges facing us. At the same time, we have been reminded of the increasing needs of the developing countries and of our long-term central objective: to reduce poverty.

I have listened with care to your statements here and in our individual meetings. Realism and pragmatism have been the order of the day. We all recognize that development success requires patience and perseverance. The commitment to reform demonstrated by the developing countries and by the transition economies is encouraging. They recognize that they have the principal responsibility for their development progress. They have already taken many courageous actions-and they are ready to do more. But they cannot do the job alone. They need stronger support from the international community.

There are two areas in particular where urgent action is required. First, the industrial countries must take the policy measures necessary to rekindle growth. This, in turn, will boost exports and growth in the developing countries. A successful conclusion to the Uruguay Round is a critical step toward accelerating global growth.

The second area for urgent action is concessional flows to the poor countries. I am concerned that pressures on donor budgets, exacerbated by the events of last week, will result in aid cuts that will hit the poor countries hardest. This undermines their efforts to reduce poverty and protect the environment—the very core of the consensus reached at the Earth Summit. The international community must not turn its back on the poor.

Speaker after speaker has attested to IDA's record in helping the poor to climb out of poverty. Strong support has been expressed for a Tenth Replenishment that represents a real increase over IDA-9. And yet, we are still far from agreement. We need your help in achieving a successful IDA-10 Replenishment by the end of the year.

In my annual address, I called for a return to the "spirit of Bretton Woods"—the spirit of international cooperation. That is not simply an ideal. It is a necessity if we are to achieve the development objectives that we all share.

The Bretton Woods institutions epitomize effective international cooperation. Speaking for the Bank, I can assure you that we will do everything in our power to fulfill our role as trusted adviser and partner to the developing countries in their development efforts.

In conclusion, Mr. Chairman, I would like to thank you for your excellent direction of our meetings. And I congratulate the Governor of Hungary on his election as Chairman of next year's meetings. I wish all of you a good journey home, and look forward to seeing you here next year.

STATEMENT BY THE CHAIRMAN OF THE BOARDS OF GOVERNORS AND GOVERNOR OF THE FUND AND THE BANK FOR MOROCCO

Mohamed Berrada

It is now my duty as Chairman of the Boards of Governors to bring to a close the 1992 Annual Meetings of the International Monetary Fund and the World Bank Group. It has been an honor for me, as representative of the Kingdom of Morocco—and a pleasure for me personally—to chair these meetings, the first meetings of our organizations as truly universal institutions. Our discussions have taken place at a time when genuine international economic cooperation is not only essential but—judging from the remarkable convergence of views I have heard coming from the speaker's podium over the last three days—should also be more attainable than ever before. I thank the Managing Director of the Fund, Mr. Camdessus, the President of the World Bank, Mr. Preston, and my fellow Governors for their invaluable contributions to our deliberations.

The remarks of Governors over the past few days have highlighted the growing consensus in the international community on how best to organize our socioeconomic life, and deriving from that, on how to approach the challenges that all of our countries confront. This consensus on the value of market principles is unprecedented, with the political divide between East and West now a thing of the past. We have now identified the challenges; we have proposed ways to meet them and to overcome them; it only remains for us to move ahead with the confidence that our fellow Governors should give us.

The overriding challenge today is how to reignite an adequate pace of world economic growth, without letting the genie of inflation out of its bottle again, or reintroducing the irresponsible short-term and shortsighted policies of old. Indeed, this is key, as an inadequate level of growth has led to, or exacerbated, many of the other challenges the world faces. A resumption of adequate growth will require, above all, a more rigorous adherence to the medium-term strategy that the industrial countries have set for themselves, and which—as many Governors noted—has perhaps been implemented more successfully in many developing countries.

Our second challenge is the integration of the economies of Central and Eastern Europe and the states of the former Soviet Union into the world economy. The Fund and the Bank have unique and essential roles to play in ensuring that the progress made by many of these countries toward establishing market-based economic systems is sustained. We, as Governors, must also do our part to give the institutions and the countries concerned the support that will be vital to the success of these difficult endeavors. The pitfalls in moving to more democratic political systems and market-based economic systems are many, but the rewards will be great and will benefit the entire world.

Our third challenge is how to improve the economic situation of so many countries in which poverty has become endemic and despair a daily reality. In this regard, many Governors noted, in particular, that the world must not lose sight of the deep-seated and severe problems of many countries in sub-Saharan Africa. For these countries and others like them, we need to provide persuasive advice and effective financial and humanitarian assistance.

Our fourth challenge is to accept the interdependence of our economies, and to work *with* that interdependence rather than *against* it. That interdependence can be seen most clearly in the areas of trade and the environment. An expansion of international trade is in the interests of all, and especially of the less developed and heavily indebted countries, and those on the road to market-based economic systems. On the environment, we need to recognize that we all have a responsibility to maintain our common house, and that an appropriate long-term *economic* policy goes hand in hand with an appropriate *environmental* policy.

Our increasing interdependence underlines the one constant that endures in the face of the cycles and changes that course through the international economy—and that is the paramount importance of international cooperation in seeking solutions to problems. The Fund and the Bank are, of course, fundamental in this regard. The Fund must therefore be given the ability to exercise more effectively its surveillance role over the international monetary system as enshrined in the Articles of Agreement, and it must be provided with the resources to enable it to encourage economic reform and stabilization. The International Development Association must be provided with adequate resources, in its Tenth Replenishment, to promote sustainable development in the very poorest countries.

None of the challenges I have mentioned will be overcome easily, but our strength—and the key to our success—will be our recognition of them and our determination in dealing with them. Moreover, the consensus as to how best to design the mechanisms that can overcome those challenges is greater now than it has ever been. Our common analysis and solidarity should give us the courage to confront them forthwith. Let us do so!

Before closing, I would like to congratulate the Governor for Hungary, whose country will take up the chairmanship of the Boards of Governors at the Annual Meetings in 1993. I wish you the greatest success.

I hereby adjourn the 1992 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group.