

## ADDRESS BY THE PRESIDENT OF THE UNITED STATES<sup>1</sup>

*Bill Clinton*

On behalf of the United States, it's an honor to welcome you to Washington for your Fiftieth Annual Meeting. And I am especially pleased to have the opportunity to speak to this group at a moment when you can see the fruits of your labors.

Ordinarily, accomplishments of great institutions like these come slowly. Yet today, the visit of President Zedillo of Mexico reminds us that in only nine months, with the help of the international community, Mexico has pulled back from the brink of financial disaster. After one of the most severe financial emergencies in the postwar era, Mexico again is on the road to stability and growth. The Mexican stock exchange has recovered. Inflation is stable, interest rates are down, and international markets have been reassured. And most impressively, in only seven months, Mexico was able to return to private capital markets.

As you have heard, President Zedillo has announced that Mexico will begin repaying its short-term debt with a \$700 million installment this month, well ahead of schedule. Mexico's success is a tribute first to President Zedillo's leadership, his courage, and his government's steadfast commitment to carry through tough economic reforms, though they have required great sacrifices from the Mexican people. They have borne these sacrifices—the austerity, the increased unemployment in the short run—with the hope that they will pay off in long-term growth and to better lives that ordinary Mexican citizens deserve.

That, of course, is the hope of people throughout the world—the hope we must address; the hope to which we must give reality as we move into the next century.

The international financial institutions—the IMF, the World Bank, the Inter-American Development Bank—all your swift and decisive support for the stabilization package played a vital role in bringing this hopeful moment to pass. I particularly want to thank Mr. Camdessus for his leadership.

The United States also acted decisively. We acted decisively for Mexico and for America. For helping Mexico helped to protect one of our biggest export markets and 700,000 jobs that depend upon our trade with Mexico. It helped to prevent an economic collapse that could have caused

<sup>1</sup>Delivered at the Third Joint Session, October 11, 1995.

serious dislocation along our 2,000-mile border, and had a grave impact on our common efforts to limit immigration to legal immigration. But more importantly, it was the right thing to do, because the United States and Mexico are neighbors. The truth is, in the global economy of the twenty-first century, we are all neighbors.

Helping Mexico not only prevented a national crisis, it prevented this national crisis from turning into a multinational catastrophe, by arresting the spread of uncertainty throughout the world's emerging markets. At that time, which many of you will remember well, every sign on exchanges in South America, in Asia, in Europe, registered a looming disaster for the developing countries. Those emerging markets support more than three million American jobs. They're essential to our economy and to the well-being of our people, but they're more important for our common commitment to a more peaceful, more democratic, more free world.

In many of the nations embracing free enterprise for the first time, the very ideas that underpin market economies were thrown into doubt, into severe doubt, by the Mexican crisis. Open markets, privatization, deregulation—these things came under a cloud of suspicion. The decision of the countries in the developing world—Central and Eastern Europe, the newly independent states of the former Soviet Union, and other nations—to embrace these ideas has been one of the great achievements of this century. No American leader could allow one setback in one nation to undermine this tremendous wave of history.

But I ask you to remember also that the Mexican crisis put into high relief tensions that are less evident in many, many emerging economies throughout the world in the new realities of the twenty-first century. It, therefore, provides for us a powerful reminder of why we must continue to lead in the face of these extraordinary new challenges and these new opportunities.

History will look back on us and judge how well we responded to this time of intense economic transformation. It is the most intensive period of economic change since the Industrial Revolution. The revolutions in communications and technology, the development of non-stop global markets, the vast currency flows that are now the tides of international business—all these have brought enormous advantages for those who can embrace and succeed in the new global economy.

But these forces have also made all our societies more vulnerable—to disturbances that once may have seemed distant, but which now directly affect the jobs and livelihoods in every nation in the world, from the richest to the poorest. The unbridled forces of the global market make it more difficult for every nation to sustain the social contract; to sustain individual opportunity for all citizens; to keep families strong; to keep communities thriving; to keep hope alive.

The truth is, in this new world there are powerful forces of integration and powerful forces of disintegration. And as we approach the twenty-first

century, we must adapt our thoughts and our actions to this new reality. No nation can turn its back, and we will all have to work together if we want the promise of the twenty-first century to outweigh its peril in every nation in the globe.

The trend toward globalization, after all, has far surpassed anything the great figures of Bretton Woods could have imagined. Interdependence among nations has grown so deep that literally it is now meaningless to speak of a sharp dividing line between foreign and domestic policy. In the United States, when we think of economic policy, we can't divide that which is domestic from that which is global. When we think of security policy, we know that our efforts to combat terrorism, whether it's in the World Trade Center incident or in Oklahoma City, have very much in common with our efforts to help our friends around the world to deal with a bus blowing up in the Middle East or a vial of sarin gas being broken open in a Japanese subway, or in so many other instances that all of you can well relate to.

We simply must adjust the world's financial architecture to these new conditions. We must forge a system strong enough, yet flexible enough, to make the most of the historic opportunities and the historic obligations before us.

Billions of people, after all, in Asia, in Latin America, in Africa, in Europe, who are turning to democracy and free markets need to see that there can be tangible benefits from their decision, and a better life after breaking the shackles of the past.

Today, a child born in Bangkok, or Buenos Aires, or Johannesburg enjoys the possibility of a vastly better life than his or her forebears could ever have imagined. But to redeem that promise, we must work to exalt the forces of integration and to overcome the forces of disintegration that globalization brings. We must see that a future crisis like Mexico's does not rob children of better lives before those lives ever get started.

Fifty-one years ago, at another moment of historic change, President Roosevelt urged our Congress to approve the Bretton Woods agreements. He drew a dark picture of—or a clear picture of stark contrast. The choice he said then was—and I quote—“between a world caught again in a maelstrom of panic and economic warfare, or a world that will move toward unity and widely shared prosperity.” “This point in history,” he said, “is full of promise and of danger.” Today, as we stand on the verge of a new century and confront a radically new international economy, I say to you that we are at a point of history full of promise and of danger.

To master the challenge before us, we must focus our efforts on expanding trade, improving investment and capital flows, and promoting sustainable development here. And we must do it in the context of our devotion to human freedom and democracy.

In the last two and a half years, our administration, working together with many of you in this room, has taken tremendous strides toward opening

world markets and promoting global growth. First, we tried to become a better international citizen by putting our own economic house in order. When I became President, our government deficit was \$290 billion a year, claiming capital from around the world that needed to be properly put to other uses, and keeping interest rates unnecessarily high. In three years, that deficit has been reduced to \$160 billion a year, and we are working in good faith to bring our budget into balance across the party lines here in America.

Second, we promoted a higher rate of growth, led by investment and free of inflation, with the result that we now have the best combined rates of unemployment and inflation in the United States in 25 years.

Third, we worked with like-minded people throughout the world to advance the cause of global trade. We have worked to increase our exports, to create high-wage jobs, to improve our own standards of living and those of other nations, and to sustain growth. We brought the Uruguay Round into force. We made the North American Free Trade Agreement (NAFTA) a reality. Our trade Ambassador, Mr. Kantor, has negotiated over 80 other separate bilateral trade agreements to expand trade. We are forging agreements with the Asian Pacific region and with the Americas that mean that early in the next century trade will flow freely over most of the Earth.

The best way to grow our economies is to expand trade. Our experience shows that. In the last three years, there has been a stunning explosion in American exports, up 4 percent in 1993, 10 percent in 1994, and 16 percent in 1995. At the same time, global trade has increased over 12 percent over the last three years, and the United States, as we have sold more, has been in a position to buy even more from other countries all around the world.

This is not an abstract concept. This makes a difference in the real lives of people throughout the entire globe. Opening markets has helped to create almost two million American jobs here in our own economy. But as barriers fall elsewhere, our ability to trade, our ability to purchase others' exports, our ability to invest in other countries have created many, many more jobs in other nations around the world.

We have to do more, of course. We have to maintain our efforts to resolve trade disputes and to fight protectionism. I am pleased to say that with the establishment of the World Trade Organization we have made real progress toward removing barriers and preventing conflicts.

Ironically, just when the advantages of expanded trade have become so dramatic, we are again hearing the voices of retreat here in our own country. There are those who say that America should simply erect a wall and live within its own borders economically; and when it comes to foreign policy, we should just go it alone. But, my fellow citizens of our shared planet, economic interdependence is a fact of life. The goal must be to have it benefit all people, consistent with our shared vision for a world

of freedom and peace and security and prosperity, consistent with shared values of responsibility and opportunity for all people, of stronger families and stronger communities, of nations with sustainable levels of economic growth that preserve our common environment.

That is what is happening all over the world today. I could just give you one example that coincides with President Zedillo's visit. We have a company called U.S. Filter in Palm Desert, California, with only 50 workers. But they have jobs because the Mexican city of Cuernavaca is buying a water treatment system from their company. We are fostering growth, trade, jobs, and sustainable development. We must do more of that, and turning away from one another is not the way to achieve that objective.

Mexico understands this. When the trouble hit earlier this year, because of NAFTA Mexico did not turn back and close its markets as it did during its 1980s crisis. Back then, it took Mexico almost a decade to recover. But because Mexico has stayed on course, it is on the way to recovery now. There will be no lost decade for Mexico because of its own policies and because of the work done in the international community to assist it to recover. This can now be a decade of opportunity springing from short-term sacrifice.

Mexico's troubles and the other recent events have shown that reforms in the international financial system have to continue: We don't have this all worked out as it needs to be. We should spread the benefits of financial integration around the world so that more and more borrowers have access to capital markets. We have to devise better ways to prevent financial crises and to cope with the crises that inevitably occur. People will turn away from free markets if they feel helpless, if they feel that they are simply pawns in a global game of winner-take-all, rather than partners in a global endeavor that seeks to make it possible for all to win.

Since the peso crisis, we have moved from crisis management to institutional reform. At the Group of Seven summit in Halifax, we put forward far-reaching proposals to help the international financial institutions meet these new needs. They aim to increase disclosure of nations' financial information and identify possible crises early, before they rock the world economy. And they include steps to mobilize the international community quickly when future crises occur. Next time there's a problem like Mexico's, the system will be better prepared.

I am pleased that over the last few days, the broader membership of the IMF has endorsed these proposals, made them more concrete, brought them closer to implementation. I thank you for that, and I congratulate you for it.

Fulfilling the hopes of this moment demands that we also renew our efforts to help those who still suffer the curse of poverty. Development that improves standards of living, strengthens democracy, conserves resources, and restrains population growth; development that lifts people up and

builds societies of citizens and consumers, not victims and dependence—these objectives benefit all nations, rich and poor.

To succeed, we must change the approaches of the past to meet the demands of the future. The international financial institutions, the multilateral development banks, must continue to sharpen their focus on giving all people the chance to make the most of their own lives. That means investing in education, in health care, in other programs that attack the roots of poverty. It means responding to the problems that were highlighted in such stark and clear relief at the Beijing Conference on Women. It means encouraging private sector development. It means that our development programs must support democracy, accountability, and the rule of law. It means we must have a common global commitment to environmental protection and sustainable development.

Developing nations must shoulder their own responsibilities—sticking to sound economic policies, liberalizing trade practices, creating financial markets that work, and above all, being the primary investor in the human capacity of their citizens. Achieving these goals will require the banks to continue reforming their own operations and striving for greater efficiency.

Jim Wolfensohn is devoting all of his famous energy to that task. I thank him for it and for carrying forward the work of his fine predecessor, Lew Preston. I applaud Jim's progress and look forward to further accomplishments in the months and years ahead from the World Bank.

Before closing, I'd like to say just a few words about the United States' commitment to helping the poorest nations of the world help themselves through our partnership in the International Development Association. It is simple—the IDA is essential. Its loans provide a crucial tool for nations that seek to escape from poverty to sustain growth. It serves our fundamental values, as well as our economic interests, by lowering trade and investment barriers, supporting private sector growth, opening the markets of tomorrow, and giving people a chance to succeed.

A lot of people don't remember this, but the IDA was the brainchild of President Eisenhower. He believed deeply that when, as he put it, "people despair that their labor will ever decently shelter their families or protect them against disease, peace and freedom will be in danger—and the seeds of conflict will be sown."

For decades, Democrats and Republicans shared President Eisenhower's sentiments, and they supported IDA. Unfortunately, that is no longer always the case. Many in the Congress have forgotten that IDA recipients of yesterday—countries like South Korea, Indonesia, Turkey, China, Chile—are today among America's most important trading partners; are among America's most important strategic partners working for global security. Those who are reminded of this perhaps will be tempted to change their position. But I want to say clearly that those who are deter-

mined to make reckless cuts in the funding of the United States for IDA should look at the facts. They should remember the vision of a great Republican President, Dwight Eisenhower.

Today's despair breeds tomorrow's conflicts. Resolving the funding for dealing with today's despair will save the world and the United States a lot of money and perhaps even precious lives in the future. Restoring funding for IDA is one of our administration's top priorities because it is the right thing to do. Of course, it serves our interest, but it is the right thing to do.

And let me assure you, if you believe as I do that balancing our federal budget will permit higher levels of growth in the United States and throughout the world, then this is a good investment. And it is not necessary—not necessary—for the United States to walk away from its commitment to balance the national budget. Don't let anybody tell you that it is.

When these two institutions opened for business, the IMF and the World Bank, there were 38 nations standing behind them. Even then, John Maynard Keynes likened the affair to the Tower of Babel. Well, today, there are 180 nations represented here. But even though we are larger in number and some of us are larger and more wealthy than others, this increase in numbers does not mean that any one of us, including the United States, can afford to detach itself from the business at hand and hope that others will take up the slack. More than ever, we must all participate in the reform of the international economic system, and we must all do our part.

In a world that grows rapidly closer, every one of us is called upon to help harness the forces of integration for the benefit of our people and to make the forces work for all our communities and for the community of nations that is increasingly bound together. Only then can we fulfill the potential of the advances in technology and trade and knowledge. Only in that way will we defeat the forces of disintegration, extreme nationalism and ethnic strife, isolation and protectionism.

I believe that the twenty-first century will be the period of greatest possibility in all human history. I hope it will be a period of unparalleled growth, achievement, prosperity, and human fulfillment; it certainly has the potential to be.

What these institutions do in the next 20 years will have a large say in what the twenty-first century looks like for all the people of the world. What we do individually, as nations and leaders, will have a large say in what that world looks like.

The institutions that we honor today and that you participate in deserve and require our support. They also deserve and require our best efforts to make constructive changes to meet the new opportunities and the new challenges we face.

We must—we must—lay the foundation for prosperity, security, and freedom that will benefit all the people of the world well into the next

century. These next few years are a critical point, a historic turning point. And if we do our job, the history of the next century will be less bloody than the history of the twentieth century, and even more filled with prosperity and freedom and common human decency.