

ECO ANM
1997

MD SPEECHES

RM 2000-0030-0004

BOX 1

FILE 3

Western Hemisphere Department
Immediate Office
Economic Subject Files

1997

Eco - N. Mg. - MU Speech



Office Memorandum

To: Ms. Hansen

September 12, 1997

From: C. Loser

Subject: **Annual Meetings Speech**

We believe this speech touches most of the bases, and we have only a few comments. However, we were surprised to see no reference to WHD and MED countries.

1. Page 2, line 7 you could say "problems that **could stand**".
2. The colons in the rest of this paragraph are confusing.
3. Page 2, line 10, you may want to make some mention of poor tax enforcement and tax evasion.
4. Page 3, line 4, the meaning of "lagging industrial diversification" is not clear.
5. Page 3, line 17, the wording "with our help" sounds somewhat patronizing, and instead you could say "place **and which we support**".
6. Page 3, lines 21-22, the continued uncertainties in Thailand probably reflect more than the market's understanding of the program. You could say "continue strengthening as Thailand's adjustment program takes hold".
7. Page 4, line 8, should read "procedures put **in** place in Mexico".
8. Page 4, line 17, isn't it possible to argue that surveillance and market influences before the crisis helped to at least blunt some of the effects of the crisis, so that you could say "struck with **considerable force**"?
9. Page 6, line 2, the reference to "the rallying cry of all those who defend the poor" is jarring, as if the "constant refrain of the IMF" is diametrically opposed to those who defend the poor. Perhaps you could say "should also be the rallying cry of all", and then mention various groups including those who defend the poor.
10. Page 6, lines 20 and lines 22, the reference to the "second generation" of reform twice in two lines (complete with quotation marks) may be too much. The first reference could be to "**needed additional reforms**".

11. Page 8, line 16, could read “framework for financial **sector** stability”.
12. Page 9, lines 14 and 16, we suggest to drop “Liberty has its risks”. In line 14, we were unclear what “safer field” referred to.
13. Page 11, line 5, reference could be made to the responsibility of industrial countries to maintain strong macroeconomic policies and promote national savings.
14. Page 13, line 3, with respect to WHD HIPC cases, you could say that “we have a final decision on Bolivia’s eligibility, and there has been a preliminary discussion on Guyana and a decision point is expected in November”.
15. Page 13, line 5, you may need to expand this discussion somewhat, as we wonder if most listeners will remember the “compromise arrangement” adopted in September.
16. Page 13, we are not sure of the meaning of lines 14-15, and what the operational implications are meant to be.

cc: Mr. Mussa
Mr. Boorman
Mr. Calamitsis
Mr. Chabrier
Mr. Deppler
Mr. Gianviti
Mr. Guitián
Mr. Munzberg
Mr. Neiss
Mr. Odling-Smee
Mr. Saito
Mr. Tanzi
Mr. Williams
Mr. Brachet
Mr. Tait

the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion (United Nations 1998).

There are a number of reasons why the world's population is increasing. One of the main reasons is that the number of children born to each woman has increased. This is due to a number of factors, including the fact that women are now having children at a younger age, and that there is a higher birth rate in developing countries.

Another reason why the world's population is increasing is that the number of people who are surviving to old age has increased. This is due to a number of factors, including the fact that there is a higher life expectancy in developed countries, and that there is a higher number of people who are surviving to old age in developing countries.

There are a number of other reasons why the world's population is increasing, including the fact that there is a higher birth rate in developing countries, and that there is a higher number of people who are surviving to old age in developing countries. These factors are all contributing to the increase in the world's population.

The increase in the world's population is a major concern for many people, as it is expected to lead to a number of problems, including a shortage of resources, a higher level of poverty, and a higher level of environmental degradation. It is therefore important to understand the reasons why the world's population is increasing, and to find ways to address these problems.

One of the main reasons why the world's population is increasing is that the number of children born to each woman has increased. This is due to a number of factors, including the fact that women are now having children at a younger age, and that there is a higher birth rate in developing countries.

Another reason why the world's population is increasing is that the number of people who are surviving to old age has increased. This is due to a number of factors, including the fact that there is a higher life expectancy in developed countries, and that there is a higher number of people who are surviving to old age in developing countries.

There are a number of other reasons why the world's population is increasing, including the fact that there is a higher birth rate in developing countries, and that there is a higher number of people who are surviving to old age in developing countries. These factors are all contributing to the increase in the world's population.

The increase in the world's population is a major concern for many people, as it is expected to lead to a number of problems, including a shortage of resources, a higher level of poverty, and a higher level of environmental degradation. It is therefore important to understand the reasons why the world's population is increasing, and to find ways to address these problems.

One of the main reasons why the world's population is increasing is that the number of children born to each woman has increased. This is due to a number of factors, including the fact that women are now having children at a younger age, and that there is a higher birth rate in developing countries.

Another reason why the world's population is increasing is that the number of people who are surviving to old age has increased. This is due to a number of factors, including the fact that there is a higher life expectancy in developed countries, and that there is a higher number of people who are surviving to old age in developing countries.



Office Memorandum

CCO- An Mts. md
Speeches CL
BCS
UB
IO
F

To: Mary Liz Hansen

September 12, 1997

From: Kunio Saito

Subject: **Annual Meetings Speech**

We found the draft speech to provide a good blend between recognition of recent developments in Asia and a context for issues to be discussed at the meetings. Nevertheless, we would make three general points that you may wish to reflect in the next draft. We also have a few specific suggestions.

- 1. The role of Asia in the global economy should be recognized in the introduction.** The worldwide interest in recent developments in Asia is due to its importance and growing role in the global economy. A measure of this importance could be recognized in the introduction.
- 2. Economic policy makers in the region are searching for guidance about how to respond to recent developments.** The speech could more clearly explain the case for staying with sound macroeconomic policies. Policy makers are still in shock from the developments of recent months. They are not convinced by calls for more of the same macroeconomic policies that they believe they have been following for many years. Some measures adopted in recent weeks, to constrain markets, illustrate a degree of desperation by policy makers. The speech could spend less time looking back and mention (again) the role of exchange rate flexibility, domestic savings, monetary policy, and use of fiscal effort to reduce the burden of adjustment in the private sector.
- 3. Key factors supporting high growth rates in Asia remain intact. Thus, following a period of adjustment, Asia should continue to grow strongly. It would be helpful if the speech could point to some "light at the end of the tunnel"** (and hopefully the tunnel is not too long!). The present evaluation of the Thai experience, in the speech, is largely backward looking. This needs to be balanced with some forward looking element (however guardedly worded). This point is related to the preceding paragraph referring to the sense of desperation (despair) of some policy makers. The prospects for Asian policy makers to pursue sound macroeconomic policies will be enhanced if they can see that strong growth will resume because of adoption of those policies.

A few specific suggestions:

- Some of the references to Thailand place the Thai authorities in an embarrassing position (one example is at the end of the second page). Is it possible to make the relevant points without specifically mentioning the Thai authorities?
- Page three, “I fully expect confidence to continue strengthening as the full scope of Thailand’s adjustment program becomes more widely understood *and the Thai authorities continue to demonstrate their determination to carry it through ...*” (italicized words added).
- Rather than saying the Fund’s assistance catalyzed financial support it could be drafted as, “*With the program agreed, the Fund was able, in record time, to draw together financial support ...*”
- Second to last page paragraph referring to Asian regional cooperation:

“the region’s *rapid and* sizable financial support ...”

“*Again the Fund is ready to contribute to such an effort in whatever way is best and has established an office for the Asian region actively to support your efforts*” (new last sentence of paragraph).

cc: Mr. Mussa
Mr. Boorman
Mr. Calamitsis
Mr. Chabrier
Mr. Deppler
Mr. Gianviti
Mr. Guitian
Mr. Loser
Mr. Munzberg
Mr. Neiss
Mr. Odling-Smee
Mr. Saito
Mr. Tanzi
Mr. Williams
Mr. Brachet
Mr. Tait



Office Memorandum

Eco- An. mtg - and
Speeches
CL
MB
BOS
10
F

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.

97 SEP 15 PM 3: 00

To: Ms. Hansen

September 12, 1997

From: P. Chabrier *P.C.*

Subject: **Draft Annual Meeting Speech**

Thank you for giving us the opportunity to review the above draft annual meeting speech. We have the following general and specific comments for your consideration.

General comments:

1. We are pleased with the frankness with which the speech has been drafted, and feel that on substance, the draft covers most of the key items and present them effectively.
2. With the Annual Meetings taking place in Hong Kong, which is now part of China, and given China's solid growth performance in recent years, we would suggest that a few lines be included on China's performance. This way we would also acknowledge that China is likely to become one of the new large world economic powers (GDP and population wise) in not too distance a future (along Brazil, India, and Indonesia—see recent projections by the World Bank).
3. We feel that too much is being said on Thailand. This may unnecessarily leave the impression that we may be trying to justify our action in this particular case, and could potentially carry the risk of directing too much attention on recent developments in Thailand and southeast Asia.

Specific comments:

1. We have no difficulty with the vision of the future as described in the final paragraph on page 13, and the need to develop new policy approaches in the context of reinforced international policy cooperation. We are not sure, however, whether there is a need to make a direct reference to the Fund's Articles of Agreement to justify the role the Fund intends and is expected to play in this regard. This may again leave the impression that we are somewhat on the defensive side.
2. Other specific comments and drafting suggestions are directly annotated on the draft speech (attached).

3. We also note, incidently, that the draft speech does not include some brief concluding remarks.

Attachment

cc: Heads of Departments
and Offices (w/o att.)
Mr. El-Erian (w/o att.)
Mr. Sundararajan (w/o att.)
Mr. Nashashibi (w/o att.)

Contributors:
Mr. Handy
Mr. Maciejewski



Office Memorandum

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.
SEP 16 AM 9:39

EO - A. Mtg - MU
Speeches
CL
FVB
AL
CC
IO
F

To: Ms. Hansen

September 12, 1997

From: Jack Boorman

Subject: Annual Meetings Speech

The draft is nicely crafted, and does a good job of drawing lessons from the Thailand crisis and explaining the basis for the Fund's new emphasis on the second generation of reforms, which gives the speech a forward-looking cast. We offer the following comments for your consideration.

1. The language used about Thailand seems very harsh and we would suggest that it be toned down. Also the discussion of the pre-crisis role of the Fund comes across as complacent and self-serving. The draft on page 3 might at least admit that while the Fund correctly diagnosed the problem, it was not successful in persuading the Thais either to take appropriate corrective action or to be more transparent about the condition of its financial sector. There is therefore a need to consider how surveillance might be more effective in these respects, a thought that would link in well with the later discussion in the speech on solidarity and the new opportunities the IMF is providing members to increase the transparency of their economic policies.

2. On the prospects for Thailand (bottom of page 3), we suggest that a note of caution be introduced by at least indicating the need for determined implementation of the program--the language suggested by Mr. Saito would be appropriate.

3. The support program for Thailand was put into place with the help of the Fund and other countries, especially in the region. We therefore suggest that the first sentence of the third paragraph on page 3 be revised to read:

"The courageous and comprehensive adjustment program that Thailand has now put in place with the help of the Fund and with the support of ASEAN countries and other countries from within and outside the region....."

4. On the HIPC initiative, the first full sentence on page 13 might be completed to read:

"Meanwhile progress under the HIPC Initiative has continued with debt relief of about U.S. \$1 1/2 billion committed for Bolivia, Burkina Faso and Uganda, involving debt reduction ranging from 13-19 percent."

5. The reference to the increase in expenditure on health and education in ESAF countries perhaps gives too much credit to the IMF, and more nuanced language would be appropriate. Also, the reference to "the most recent sample of ESAF countries might be clarified.

6. While recognizing that this is an extremely sensitive issue, we wonder whether the last sentence of the introductory paragraph about the prospects for Hong Kong is not too upbeat given the continuing concerns about the erosion of democracy and human rights.

A few additional specific drafting suggestions are marked on the attached copy.

Attachment

cc: Mr. Mussa, Mr. Calamitsis, Mr. Chabrier, Mr. Deppler, Mr. Gianviti, Mr. Guitian,
Mr. Loser, Mr. Munzberg, Mr. Neiss, Mr. Odling-Smee, Mr. Saito, Mr. Tanzi,
Mr. Williams, Mr. Brachet, Mr. Tait

the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion.

There are a number of reasons why the world's population is growing so rapidly. One of the main reasons is that the number of children born to each woman has increased. This is due to a number of factors, including the fact that women are now having children at a younger age, and that there are more children surviving to adulthood.

Another reason why the world's population is growing so rapidly is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.

There are a number of other reasons why the world's population is growing so rapidly. One of the main reasons is that the number of people who are surviving to adulthood has increased. This is due to a number of factors, including the fact that there are now more people surviving to old age, and that there are more people surviving to middle age.



Office Memorandum

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.
97 SEP 15 AM 11:43

Mr. Loser
Leo - A. Wty -
H. J. J. J.

CL
MB
AL
CC
IO
F

To: Mrs. Hansen

September 12, 1997

From: David Williams *DW*

Subject: **Annual Meetings Speech**

In general, we feel that the draft does a good job of covering all the main points for this year's meetings (with one important exception noted below), but the language is in places unusually strong and the overall progression of the themes could be less disjointed. Also, you may wish to seek a better balance stylistically between the number of long, convoluted sentences and those that are short outbursts.

Our specific comments are:

Page 1, lines 16-17, the phrase "baseline scenario projects" is somewhat arcane. Why not just say "we currently expect"?

Page 2, lines 1-4, a reference to Africa should be made here, perhaps by transposing the sentence from lines 21-22 on page 12. Also, Africa could be mentioned in the following paragraph as an area where problems remain.

Page 2, lines 8-9, the reference to persistent inequalities in economic opportunity in both Asia and Latin America is a bit puzzling as economic performance in Asia in recent years has often been contrasted with that of Latin America on this very score, with growth in Asia, particularly in Southeast Asia, being seen as more broadly based and the returns more equitably distributed.

Pages 3 and 4, the repeated mention of improving market conditions in the paragraph spanning these pages appears rather sanguine and maybe premature. Some toning down would be warranted, or the statements should be nuanced in light of developments closer to the point of delivery.

Page 4, line 8 should read "procedures put in place."

Page 4, line 20, the point that Thailand's delay in taking appropriate action has imposed high costs on others is a bit overdone in assigning blame to one country for the currency turmoil in the region. It might be useful to tone down the language in the sentence because, while it is recognized that there were spillover effects from Thailand, some other countries in the region also had large external imbalances and limited flexibility in their exchange policies, albeit not to the extent found in Thailand.

Page 5, line 6, we would drop the reference to demonizing the markets. It seems too obvious a swipe at the Prime Minister of Malaysia.

Page 5, lines 7 and 11, we do not believe there is much meaning to the phrase “good market citizenship,” and we hope an alternative could be found.

Page 6, lines 3-4, the sudden mention of high inflation seems out of place, and is surely not relevant to the Asian crisis.

Page 6, line 9 and lines 13-14, these references to “a premature and artificial stimulus to growth” and to “giving so much attention to the decimals” may not go down well with the Prime Minister of Malaysia and the Chancellor of Germany respectively! In the latter case, the substantive point (i.e., the need to maintain fiscal consolidation) which the Fund has consistently stressed could be lost.

Page 6, lines 19-20, insert “the” before “first round” and delete “supporting” in line 19, and insert “supporting reforms” in line 20 in place of “reform. . . .”

Page 7, line 3, the icing should be “on” the cake.

Page 7, lines 7-8 and following bullets. We thought the presentation here was not appropriate to the immediate audience—the Fund’s Governors—who presumably should be aware of what the Fund has been doing in the past year. The remarks seem addressed more to outsiders (NGOs?). To introduce the bullet points, we would suggest something along the lines: “And this need for a broader approach to sustained growth is why the IMF has increasingly focussed on an expanded reform agenda. For example. . . .” And drop the rhetorical flourishes “You have heard” and “All true.”

Page 8, lines 15-18. This paragraph blows our own trumpet unduly loudly. Rather than “with input from” the Basle Committee and the World Bank, a more balanced description of the relationship would be to say “building cooperatively on the work of” those organizations.

Page 9, lines 11-14. The rhetorical questions risk receiving a resounding “yes” from the host authorities (and probably some others). These could be rephrased as statements, e.g., “Liberty has its risks, but these are no greater than. . . .” Moreover, as is noted later, the Fund is not aiming to encourage countries to remove capital controls prematurely, or prevent them from using capital controls on a temporary basis.

Page 10, lines 18-22. The phrasing is a bit cliched and there is rather a *mélange* of metaphors. This paragraph could be re-worked.

Page 12, lines 6-13, on Fund financing. You may need to have alternative language available in case there is not meaningful agreement on quotas. Also, this paragraph completely

omits the resolution before Governors for an equity allocation of SDRs toward which the Managing Director has striven these last several years. The Managing Director should clearly ask for their support for the resolution.

Page 13, line 7, substitute “secure” for “optimize.”

Page 13, line 9, “Trust” in what? The standard phrase used to be “adjustment and financing.” Have we dropped conditionality in favor of “trust”?

cc: Mr. Boorman
Mr. Calamitsis
Mr. Chabrier
Mr. Deppler
Mr. Gianviti
Mr. Guitián
Mr. Loser ✓
Mr. Münzberg
Mr. Neiss
Mr. Odling-Smee
Mr. Saito
Mr. Tanzi
Mr. Brachet
Mr. Tait



Office Memorandum

ECO - A. V. M. D. Speeches
CL
FUB
AL
CC
IO
F

To: Ms. Hansen

September 12, 1997

From: Manuel Guitián *MG*

Subject: **Managing Director's Annual Meetings Speech**

The speech reads very well and I have only a few minor comments.

The reference on page 9, line 18 should be to the "world trade *and payments* system."

On page 8, line 15-16, I would suggest a rewording along the lines of "...the Basle Committee, other international rule-setting bodies, and the World Bank, the Fund has developed..."

You may wish to mention at the end of page 6 or beginning of page 7 the need to build or strengthen institutional and market structures.

cc: The Deputy Managing Directors
Messrs. Mussa, Russo, Anjaria, Boorman, Brachet, Calamitsis, Chabrier, Deppler, Gianviti, **Loser**, Munzberg, Neiss, Odling-Smee, Saito, Tanzi, Tait, Williams, Cross, and Quick.

Contributors:
R. Johnston
C. Lindgren
P. Stella

INTERNATIONAL MONETARY FUND
WESTERN HEMISPHERE DEPT.
97 SEP 16 AM 11:43

the 1990s, the number of people with a disability in the United States has increased by 50% (U.S. Census Bureau 1997).

As a result of the increase in the number of people with disabilities, the need for accessible information has become more acute. The Americans with Disabilities Act (ADA) of 1990 (Public Law 101-354) has provided a legal framework for the development of accessible information. The ADA requires that information be accessible to people with disabilities.

The ADA defines accessibility as the ability of people with disabilities to obtain, understand, and use information. Accessibility is a process, not a product.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.

The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities. The ADA requires that information be accessible to people with disabilities.



Office Memorandum

EW - An mfgs
MD Speech
CL
BCS
MB
IO
F

To: Mr. Mussa
Mr. Boorman
Mr. Calamitsis
Mr. Chabrier
Mr. Deppler
Mr. Gianviti
Mr. Guitian
Mr. Loser
Mr. Munzberg
Mr. Neiss
Mr. Odling-Smee
Mr. Saito
Mr. Tanzi
Mr. Williams
Mr. Brachet
Mr. Tait

ACTION

September 11, 1997

From: Mary Liz Hansen

Subject: **Annual Meetings Speech**

Attached for your review is a draft of the Managing Director's opening speech to the Annual Meetings, which incorporates his initial comments. I would appreciate your comments by close of business tomorrow, **Friday, September 12.**

Attachment

cc: The Deputy Managing Directors
Mr. Anjaria
Mr. Russo
Mr. Quick
Mr. Cross

Address by Michel Camdessus
Chairman of the Executive Board and
Managing Director of the International Monetary Fund
to
the Board of Governors of the Fund

1 Mr. Chairman, governors, ladies and gentlemen. I would like to join Jim Wolfensohn
2 in welcoming you here and in expressing our thanks to the government of China and the
3 people of Hong Kong for their warm and generous hospitality. We must also be grateful to the
4 governments of China and the United Kingdom for their suggestion to hold these meetings in
5 Hong Kong. What better opportunity could we have to see for ourselves the prospects for
6 Hong Kong to become an even more prosperous place, an even more dynamic center for the
7 benefit of all of southeast Asia within the framework of "one country, two systems."

8
9 And what better place to comment about recent developments and prospects of the
10 world economy? Many positive trends have been confirmed during the last twelve months.
11 Global inflation remains subdued, and countries appear more committed to price stability than
12 at any other time in the post-war era. In addition, fiscal deficits are being reduced in many
13 countries—a good omen for interest rates and investment—and exchange rates among the
14 major currencies appear to be generally consistent with economic fundamentals. Thanks in
15 large part to these strong fundamentals, the world economy grew 4 percent last year, and is
16 projected to expand by 4 1/4 percent this year and next, a trend which our baseline scenario
17 projects will continue for several years to come.

1 Certainly, the problems in Thailand were well known: an unbalanced mix of macro
2 policies, a loss of external competitiveness, and a slowdown in export growth. And these
3 problems, in turn, exposed a host of underlying weaknesses in the domestic economy, among
4 them: a fragile and over-exposed financial system, lagging industrial diversification, an inflated
5 property market, and high levels of corporate debt. For 18 months, the IMF Executive Board,
6 in its discussions of Thailand; management, in repeated visits to the country; and staff, in
7 almost continuous dialogue with the authorities expressed an—alas!—too accurate diagnosis
8 and pressed for urgent measures that could have avoided an open crisis.

9
10 Markets also expressed their disquiet. During 1996, the baht came under intermittent
11 pressure. This year, the pressure increased, as doubts about the sustainability of policies grew.
12 Finally, in the absence of a comprehensive set of measures to address Thailand's problems, the
13 crisis broke. Meanwhile, the market's anxiety spread to other countries in the region that
14 seemed to share some similarities.

15
16 The courageous and comprehensive adjustment program that Thailand has now put in
17 place with our help is far-reaching and goes to the heart of market concerns about large
18 external deficits and troubled financial institutions. The budget is moving back into surplus
19 and a comprehensive restructuring of the financial sector is underway. Naturally, it will take
20 time to restore market confidence completely. But market conditions are already improving,
21 and I fully expect confidence to continue strengthening as the full scope of Thailand's
22 adjustment program becomes more widely understood. In the meantime, the Philippines has

1 taken necessary measures and extended its program with the IMF. Indonesia has substantially
2 strengthened its policy stance in a continuous dialogue with us. Malaysia is also adapting its
3 already solid macro policies. No wonder then that markets are also recovering in the region,
4 particularly as controls on market activity are replaced with measures to strengthen economic
5 fundamentals.

6
7 What are we to make of these events? Well, we now have evidence that the
8 procedures put place after Mexico work—at least up to a point. In keeping with our efforts to
9 strengthen surveillance, the staff's analysis was timely and on the mark. And once IMF
10 assistance was requested, the Board's emergency procedures—and the staff's continuous
11 work over the previous months—allowed a program to be put in place in record time. The
12 Fund's assistance, in turn, catalyzed financial support from the region—in an amount that,
13 even by conservative estimates, is commensurate with the dimensions of the problem.

14
15 And yet, the crisis in Thailand, and the broader tumult in Asian markets, remain
16 profoundly disturbing. Why? First, because the crisis was foreseen and preventable, but still
17 struck with full force. And second, because Thailand's delay in taking appropriate action has
18 not only cost its own economy dearly, but imposed high costs on others, as well. Certainly,
19 there are some important lessons to be drawn from these developments. But it is essential to
20 draw the right ones. This brings us back to the new opportunities, risks, and requirements of
21 this new world.

1 First, the opportunities. We must maintain the proper perspective about the benefits of
2 global financial markets. Certainly, there are risks in tapping these markets to which no
3 country—I repeat, no country—is immune. But let us not forget the new opportunities. The
4 markets also provide tremendous opportunities to accelerate growth and development, as
5 southeast Asia itself so vividly shows. Thus, the lesson to be drawn from recent events is not
6 so much about risks of globalization—and even less about demonizing the markets—but
7 rather about good market citizenship; it is about the importance of pursuing policies that give
8 markets confidence, of respecting the signals that markets provide, and of maintaining market-
9 friendly policies so that markets can do their job.

10
11 Good market citizenship! It would have been more accurate to say “good world
12 citizenship” because we had here a new reminder of the fact that, in this new world, the
13 requirements for countries to demonstrate the highest sense of responsibility in the conduct of
14 their national policies and the highest sense of solidarity in their relations with others is
15 stronger than ever. Let me elaborate.

16
17 What do I mean by a sense of responsibility in national policies?

18
19 Many fundamental things, of course, but first and foremost, I mean establishing and
20 maintaining basic macroeconomic equilibria, making effective use of public resources,
21 explaining to citizens when policy changes are needed, and taking the difficult steps needed
22 for sustained high-quality growth. Constant refrain of the IMF? Of course! But may I suggest

1 that it should also be the rallying cry of all those who defend the poor. For indeed, it is the
2 poor who are most likely to lose their livelihoods during economic downturns and who are
3 least able to protect the real value of their incomes and savings during periods of high
4 inflation. Thus, helping countries achieve macroeconomic stability is the Fund's first order of
5 business.

6
7 The second aspect of national responsibility is to have priorities in the right order,
8 something which applies to all countries in the world indeed! Here in Asia it means, of course,
9 that countries not give priority to a premature and artificial stimulus to growth, at the expense
10 of the more pressing business of strengthening current account positions and financial sector
11 reform.

12
13 In Europe, in its momentous journey toward EMU, it means not giving so much
14 attention to the decimals around the fiscal consolidation targets that the at least equally
15 important business of reforming social security systems and labor and product markets
16 remains on the back burner.

17
18 In many countries all over the world, it means that meritorious efforts to persist with
19 macroeconomic adjustment programs and first round of supporting reforms do not postpone
20 the "second generation" of reform. We know very well that achieving high-quality growth
21 requires much more than macroeconomic stabilization. It also demands a range of
22 broader-based reforms—a "second generation" of reform—to sweep away remaining

1 obstacles to private sector initiative, job creation, and long-term investment and to ensure
2 that, within each country, the benefits of growth are widely shared—this equity objective that
3 Jim has eloquently insisted on. These second-generation reforms are not the icing in the cake,
4 but essential ingredients in achieving sustained, high-quality growth. This is, in great part, why
5 the Interim Committee endorsed a broadening and strengthening of the strategy for sustained
6 global growth in its Declaration last year. And this need for a broader approach to sustained
7 growth is why some of the things you have heard about the IMF over the last year may have
8 struck you as somewhat unusual.

- 9
- 10 • You have heard, perhaps, that the IMF is putting much greater emphasis on social
11 spending—to the point that in the most recent sample of ESAF countries, expenditure
12 on education and health increased in real terms by [5] percent and [7 ½] percent
13 per annum, respectively, over the three to four-year program period. All true.
 - 14
 - 15 • You have heard the IMF speaking out more forcefully against unproductive spending,
16 especially in countries with pressing social needs. And you have heard that Romania,
17 for instance, has decided to postpone some military and other expenditures in favor of
18 increased spending on education and health. All true.
 - 19
 - 20 • You have heard that the IMF has issued new guidelines to its staff on how to deal with
21 issues of governance and that some ESAF programs or negotiations were interrupted
22 or delayed due to concerns about accountability and transparency. All true.

1 • You have heard that the IMF is providing new opportunities for members to increase
2 the transparency of their economic policies, including now by issuing Press
3 Information Notices describing the Executive Board's Article IV discussions on their
4 economies. All true.

5
6 Let me add here that transparency is essential. Countries serve their own interests
7 when they provide accurate, timely and comprehensive information to the public on
8 economic policies and performance and a full accounting of how public resources are
9 used. When this information is available, policymakers have greater incentives to
10 pursue sound policies; there is less opportunity for corruption, a stronger basis for
11 public confidence, and a more favorable climate for domestic and foreign investment;
12 markets operate more smoothly; and countries are less vulnerable to the markets' herd
13 instincts.

14
15 • You have heard that with input from the Basle Committee, the World Bank, and
16 others, the Fund has developed a framework for financial stability to help guide staff in
17 dealing with banking system issues and disseminating a set of internationally
18 recognized best practices in the financial area. All true.

19
20 Indeed, sound banking and financial systems are not a luxury; they are a basic
21 necessity of economic life—a prerequisite for effective macroeconomic policies and
22 market confidence, a safeguard against the exorbitant fiscal costs of resolving banking

1 sector problems; and the *sine qua non* of efficient financial intermediation on which
2 economic development depends.

3
4 Finally, you may have noticed that, far from being discouraged by the recent events in
5 southeast Asia, the IMF is all the more motivated to continue work on an amendment to the
6 Articles of Agreement that will allow the Fund to facilitate the orderly liberalization of capital
7 movements. This, too, is all true. Let me say a few more words on this one. I know you could
8 ask us: "When you have such turmoil on your doorstep, is this the right time?" Yes, we
9 believe it is!

10
11 Liberty has its risks. But are they greater than those of complex administrative rules
12 and capricious changes in their design?

13
14 Liberty has its risks. But is there any safer field for development and prosperity?

15
16 Liberty has its risks! Let's go then for an orderly liberalization of capital movements.
17 Over the last 50 years, the world has seen the benefits of an increasingly open and liberal
18 world trade system. The time has come to extend these benefits to international capital
19 movements. Certainly, the point is not to encourage countries to remove capital controls
20 prematurely, or to prevent them from using capital controls on a temporary basis. Rather, the
21 emphasis is on fostering the smooth operation of international capital markets, and
22 encouraging countries to remove capital controls in a way that is consistent with sustainable

1 macroeconomic policies, strong monetary and financial sectors, and lasting liberalization. In a
2 nutshell, what we want to establish is a multilateral and non-discriminatory system providing
3 the needed safeguards and the proper transitional arrangements with the Fund at its center,
4 standing ready to provide advice, surveillance, technical assistance and, when needed,
5 providing and catalyzing temporary financial support to strengthen countries' exchange
6 positions, contain turbulence, and help them to stay on track. Mr. Chairman, this will be
7 beneficial for individual countries and for the world economy. Let us now add this promising
8 chapter to the work of our founding fathers. This certainly would have been part and parcel of
9 their response to the challenges of today.

10
11 Responsibility, Mr. Chairman, is all of these things, including this cautious, but
12 decisive, step toward liberalization. Moreover, this responsible management of its problems is
13 also an acid test of each country's determination to behave with the sense of solidarity that
14 globalization requires.

15
16 **Solidarity**

17
18 Contagion effects can be so rapid, so overwhelming, so unfair to countries with sound
19 policies that, no doubt, the first tenet of the charter for world solidarity is to "keep your house
20 in order." The bigger the economy, the stronger the requirement, but no country is exempt
21 from its responsibility to other countries. And no country should accept the risk of going
22 down in history as the trigger for a domino phenomenon.

1 But solidarity calls for more. There are many instances in which national efforts are
2 likely to be more successful when greeted with international support, and there are many other
3 challenges that exceed the capacity of individual countries to resolve alone. I will not insist
4 today on what I have so frequently repeated about industrial countries' responsibility to
5 open their markets, especially to products in which the poorest countries have a comparative
6 advantage; to refrain from promoting unproductive military expenditure through aggressive
7 sales strategies; to provide the mutual assurances that obviate the need for wasteful military
8 buildups; to punish their nationals severely for taking part in corrupt practices in foreign
9 countries; and to consider their ODA budgets as one of the best investments in building a
10 more secure and prosperous world.

11
12 In this globalized world, solidarity calls for all countries to complement IMF
13 surveillance by joining voluntarily with their neighbors in mutual surveillance on a regional
14 basis. The purpose would be to create among neighbors a "club spirit" allowing peer pressure
15 to play a useful role in encouraging countries to pursue sound policies. This could be a most
16 valuable contribution to stability to which the IMF is ready to contribute in whatever way
17 would be most useful.

18
19 This tradition is most firmly established in Europe, where regional surveillance and
20 peer pressure has produced a substantial degree of macroeconomic convergence. In Asia,
21 there are signs of growing regional cooperation—through regional groupings, such as
22 ASEAN and APEC; swap arrangements among central banks; and most recently, the region's

1 sizable financial support for Thailand's adjustment program. But this cooperation would be
2 even more effective if it were supplemented with regional dialogue to ensure that the policies
3 of individual countries were supportive of stable markets and high-quality growth throughout
4 the region.

5
6 Of course, this suggestion does not detract from your responsibilities to help the IMF
7 discharge its ever growing, ever more complex, central responsibilities. You know what this
8 means, and you already do a lot by demonstrating on so many occasions your unfailing trust in
9 our institution and by reinforcing significantly the financial means available for us to discharge
10 our systemic responsibilities. This was the meaning of your adoption of the NAB, the New
11 Arrangements to Borrow, last year and your agreement on a sizable quota increase of SDR
12 [] billion this year. In so doing, you have provided the international monetary system with a
13 significantly more credible center. We pledge to do our utmost to fulfill your confidence.

14
15 But there is also a systemic stake in preventing marginalization of the poorest and
16 providing them with the powerful boost of an early, safe, and full integration in the globalized
17 economy. Thus, it is indispensable to have a level of ESAF resources that is commensurate
18 with its continuous role and its new HIPC task. So far, our efforts—jointly with the World
19 Bank and the regional development banks—have produced encouraging results. In recent
20 years, we have seen more and more countries adopt comprehensive programs of adjustment
21 and reform. As a result, average annual growth in sub-Saharan Africa reached [4 ½] percent
22 last year and is expected to remain close to that level over the medium term. Heavily indebted

1 poor countries (HIPCs) and the least developed countries performed still better—each group
2 recorded average growth of [5 ½] percent last year, levels they, too, are expected to maintain
3 over the medium term. Meanwhile, progress under the HIPC initiative has brought....[note
4 where countries most advanced in the process stand.] We must support all of these efforts by
5 finalizing the implementation of the compromise arrangement we adopted in September last
6 year. I am certain that I can count on the support of all of you and on an extra bilateral effort
7 before the end of December this year to optimize the indispensable financing package.

8
9 Trust and financing are essential, but there is more that you can do to help us equip the
10 world for its future. As time is short, let me mention one challenge on the horizon: the
11 evolution of the international monetary system into a tripolar system dominated by the dollar,
12 the euro, and the yen. With macroeconomic policies within these currency blocks likely to be
13 determined largely by domestic policy considerations, factors contributing to exchange rates
14 stability will have to be kept permanently under review for the sake of these countries and to
15 promote a satisfactory exchange environment for countries outside of these blocks. Here we
16 will need your support and your renewed commitment to the multilateral approach. A new
17 reflection on the best ways to facilitate effective international policy cooperation is needed,
18 along with a strong center for international surveillance and monetary consultation and
19 collaboration, a role that the IMF is mandated to fulfill by the very first words of Article I of
20 its Articles of Agreement. We are still some ways from achieving this last aspect of
21 international solidarity. But it is a goal that has gained in importance and that the membership,
22 together with the Fund, should now have high on its agenda.

the 1990s, the number of people with a diagnosis of schizophrenia has increased in many countries, including the United Kingdom (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).

The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray & Lewis, 1998).