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Address by Michel Camdessus
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Mr. Chairman, Your Excellencies, Ladies and Gentlemen ...

The issues at this Summit are of profound and universal importance. The draft Programme of Action recognizes the interdependence and the mutually supportive nature of economic and social development. This interdependence is at the heart of our work in the IMF: if we strive for monetary and budgetary discipline it is because we believe it is a true "sine qua non" of social and human progress; and we are equally convinced that these macroeconomic disciplines are not sustainable for long, in a democratic context, if they are not perceived by all as aimed toward social and human progress. The draft Programme also advances important recommendations for the international community to act upon. I welcome the recognition of this mutual interdependence, and endorse these recommendations, but let me try to tell you more precisely what I mean by answering three questions.

I. What must the IMF contribute?

The draft Programme of Action underscores the importance of sound and stable macroeconomic policies, improved international monetary cooperation, reductions in military and other unproductive expenditures, the liberalization of trade and investment, reductions in the debt burdens of the poorest and most heavily indebted countries, the provision of social safety nets in the context of economic reform programs, and the removal of structural constraints on growth and employment creation. Our reading of the Fund's mandate--to foster an international monetary system and policies that promote sustained economic growth with high levels of employment and reasonable price stability, and to help member countries avoid "measures destructive of national and international prosperity," measures that would of course be inimical to social development--is precisely that. In this spirit, the Fund has given increasing attention to supporting the efforts of countries to promote social objectives and to mitigate the possible short-term adverse effects on the poor and vulnerable of reform and adjustment programs. I have long said that the aim of our work at the Fund is to help member countries achieve "high-quality growth," meaning growth that is sustainable, that brings lasting full employment and poverty reduction, that promotes greater equity through greater equality of opportunity, that militates against marginalization, and that respects human freedom, the diversity of cultures, and the environment. In short, our aim embraces the objectives of this Summit. The need for this dimension of our work will

hopefully be better recognized and made even more central as a result of this Summit.

But let me insist on the fact that the globalization of the world economy has radically new implications for us and for this Summit. The closer international integration of markets has already brought great benefits for economic and social development worldwide. But it also brings increased dangers, to the point that there is widespread fear in public opinion that globalization could be synonymous with increased poverty and exclusion. The dangers are real, and they are vividly illustrated by the recent Mexican crisis in which we can already see the first financial crisis of the 21st century. The Mexican events have abundantly illustrated the rapid contagion effects in integrated financial markets of major disturbances in particular countries. A second risk is less obvious, but at least equally relevant to our work here: the possibility of the more rapid marginalization of countries that fail to integrate themselves into the globalized economy, and, associated with this, a growing divergence between the regression of living standards in those countries and rapid progress in others. National economies have become more vulnerable to international capital flows, and more closely linked. More than ever, shortcomings and inconsistencies in economic policy can impose heavy economic costs that may not respect national borders, and their social repercussions can be severe. This means that the need for international policy coordination and multilateral surveillance in economic and monetary matters has become more essential than ever, and essential in particular to foster social development--the objective of this Summit. Let me then center my remarks today on this second question:

II. How to address the social and economic challenges of globalization?

At a time when we are far from having completed our agenda for the economic progress of the poorest countries or the transition of the former centrally planned economies, already the first financial crisis of the 21st century has come upon us. Mr. Chairman, we have all been surprised by these developments, but we must not allow the crisis to develop perversely, and through its contagious effects to endanger many remarkable achievements--particularly the rapid growth of many developing countries, the substantial increase in private capital flows in their direction, and all the potential benefits of globalization for widespread social and human development.

Already the IMF, in close cooperation with bilateral contributors, has taken unprecedented steps to contain the crisis and help Mexico recover quickly; but we must look now beyond Mexico to draw the proper lessons from it on how to make sure that globalization serves and does not destroy our objectives. I will only insist on three points:

- First, there is the challenge for each of our countries, whatever its economic strength--and remember that Mexico had already made remarkable progress toward sustainability--to consolidate its financial stability and to correct macroeconomic imbalances, which can make any country prey to

unexpected shifts in market sentiment and contagion effects. We must accept this sobering lesson from the Mexican crisis: positive private capital flows do not signal an end of the need for internal macroeconomic discipline; and in this new world, the basic requirement is not for less structural adjustment effort but rather for a permanent one.

- Second, at the global level, there is of course the need to avoid yielding to the temptation, which can be brought on by panic, to return to controls and protectionist measures that would only precipitate deeper recessionary effects. Nothing would be more damaging to the real social progress we all want to promote; rather than fighting instability of capital movements in that way, we must strive to address their underlying causes--including weak macroeconomic and financial policies, and inadequate internal controls of financial institutions--and we must continue the ongoing efforts to adapt prudential regulations as required by changing circumstances.

- Third, there is an obvious need for strengthening the instruments of our financial cooperation to ensure that they are commensurate with the new dimension of our challenges. To this end, in the IMF we are already working actively in two essential directions:

- (1) prevention: this means strengthening further our surveillance, hopefully with the cooperation of all, in order to improve our capacity to work as an early warning system. Significant progress has been made over time and particularly in recent years, but there is no doubt that more is needed;

- (2) cure: in other words, convincing our members to maintain at the Fund level the appropriate level of resources to be able to stem similar crises if they were to occur--and the risk exists however effective our early warning efforts. This will certainly imply decisions in three directions: a significant strengthening of our capital base through a quota increase; further work on the role the SDR could play in putting in place a last-resort financial safety net for the world; and a major effort to make our most effective instrument, the enhanced structural adjustment facility (ESAF), better suited to addressing the problems of the poorest countries, particularly in Africa, by making it available over a longer period of time, and even better adapted to tackling their most entrenched problems, especially when they are overburdened by debts.

It is my intention to invite the Interim Committee to consider a set of proposals to this end on the occasion of its next meeting in April. These are initiatives the Fund must take. But they are only part of what international cooperation must deliver, as much more is needed, so allow me to offer a few remarks on this need for renewed cooperation.

III. How best to cooperate?

I have intentionally highlighted those main recommendations of the Programme of Action that the Fund can, and will, endeavor to implement within the constraints of its mandate, stressing that the Fund can address only a subset of the recommendations of the Programme of Action, but being certain that other actors in this arena will do the same with equal determination in their areas of expertise and within their mandates. This approach can be a true basis for the division of labor and the collaboration within the UN family that are needed to assist member countries to attain their socio-economic objectives. It could also help, and this would be an achievement of this Summit, to foster a strengthened role for the UN and its funds, programs, and specialized agencies as the pillar of social development. The IMF, the World Bank, and the World Trade Organization can act as three pillars of the multilateral system, dealing, respectively, with national and international macroeconomic policy and policy coordination; project financing, structural adjustment, long-term poverty reduction; and trade policy. But it is crystal clear that a "social pillar" is missing. This Summit can be instrumental in creating it by further promoting the often remarkable work performed by the UN on social issues, which does not get the recognition it deserves, possibly because it has been for too long fragmented and ad hoc, so that the financing it attracts is frequently both too little and too late. As a firm believer in this interdependent institutional structure I particularly welcome the recognition in the draft Programme of Action of the need to review, reform, and revitalize the various parts of the UN system to enhance their capacity to promote human development and social progress. With this four-pillared structure the global coordination needed would be significantly simplified. Lastly, Mr. Chairman, let us remember that even strengthened and better coordinated multilateral institutions cannot be sufficient to the task. More than ever, bilateral support is indispensable and "donor fatigue" must be overcome if we are to be more relevant to the more pressing humanitarian and social needs of our world, and if, together with the valiant and innovative efforts of so many NGOs, we are to give development a human face.

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Mr. President, I have spoken from the standpoint of the IMF and tried to show the relevance of our efforts to help create an environment more supportive of the efforts of all those more directly responsible for human development and social progress. In our increasingly integrated world, we all no doubt finally serve the same purpose of social and human development. May this World Summit give this purpose renewed chances, and also thereby give peace its best chances.