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Concluding Remarks by Michel Camdessus
Chairman of the Executive Board and
Managing Director of the International Monetary Fund
at the Closing Joint Session
Hong Kong, China
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Mr. Chairman, Governors, ladies and gentlemen.

This has been quite a fruitful Annual Meeting—not least because of the excellent facilities our hosts have provided us and the way in which they have organized everything so splendidly. During the past few days, we have had extensive, thought-provoking discussions about the challenges of global markets. And we have made substantial headway in equipping the IMF to help its members meet these challenges. Recent developments in several southeast Asian markets have, of course, been ever present in our minds. Yet this beautiful, dynamic city of Hong Kong has been a constant reminder of what can be achieved in a free and open economy. Against this backdrop, four major themes have emerged.

First, you have expressed your conviction that global opening and integration offer the only path to greater global prosperity. Many have cautioned against allowing market turbulence to divert us from the critical task of fostering closer financial integration. Indeed, many of you have pointed to the role that the free movement of capital can play in accelerating investment and growth. Notwithstanding the problems of recent months, this region testifies to the benefits that can spring from the productive use of capital inflows over the longer term. These recent events should not cloud that reality.

Second, in full recognition of these long-term benefits, you have reconfirmed that the time has come to give the Fund a mandate to promote the orderly liberalization of capital movements, and thereby add a new chapter to the Bretton Woods agreement. In so doing, you have echoed the bold vision contained in the Interim Committee's Hong Kong statement—a vision of orderly, lasting liberalization

backed by sound national policies and a solid multilateral system for surveillance and financial support. That bold vision—as the Interim Committee has said—will be implemented cautiously.

You have also given considerable attention to what this liberalization must entail. Many of you have emphasized the need for adequate flexibility to take account of countries' differing stages of economic and financial development; I can assure you we have this requirement clearly in mind. Many have also pointed to the need to strengthen domestic banking systems and the important role that IMF technical assistance can play in this regard. Here, too, I can confirm that the Fund and the Bank will work closely with members to help strengthen financial systems and disseminate best practices on the basis of the new framework for financial sector soundness.

And all of you have recognized the vital importance of sound economic policies and the continuing need for strong Fund surveillance. Again, we will continue to do all that we can to ensure that our policy advice is timely and on the mark. And we will stand ready to give financial support to countries' adjustment efforts, when warranted.

I know that a number of you still have concerns about contagion and speculative pressures and are asking yourselves what more could be done to limit their effects. Having had these meeting here in Asia, we now understand those concerns better. Several of you have also come with ideas about how the interactions between governments, markets, and the international institutions could be made to work more smoothly. We will be reflecting on these ideas over the coming months. But, as you may recall, the Governor from the Philippines has offered a good starting point for our reflection. He said, "Volatile capital flows will continue to be a challenge. But the answers are not in a return to controls, but in managing these flows better. The answers are not in restricting capital markets, but in making them work better. And the key to this is a higher level of disclosure and transparency so that players act based on timely and accurate information."

Governor Brown of the United Kingdom made the same point in a slightly different way. He said, "The turbulence in the southeast Asian economy has brought to our attention a truth that applies to us all—that, in addition to pursuing prudent policies, there is nothing more important for maintaining stability than effective decision-making based on openness, transparency, and accountability." Many others of you have also stressed this point.

This brings me to the third conclusion that emerged from your discussions: the vital importance you attach to good governance in all its dimensions. Not so long ago,

this subject was virtually taboo in the multilateral institutions; today, it is on everyone's lips and, I hope, at the top of everyone's agenda. There can be no doubt but that good governance, including the rule of law, is absolutely essential—both in order to realize the benefits of this new global economy and to manage its risks. As I have heard so many of you say, good governance is not only a moral necessity, it is an economic one, as well. For this reason, you can count on the IMF to play its part in promoting good governance in all member countries in accordance with the mandate you have recently given us.

Fourth and finally, you have emphasized that when problems do emerge, as surely they will continue to do, the Fund must be ready to respond with its financial support. We were able to do this in Thailand. Your agreement to increase IMF quotas by 45 percent will substantially enhance our ability to continue meeting our systemic responsibilities. The decision on the one-time equity allocation of SDRs, through an amendment of the Articles, is also an important breakthrough, allowing all members to participate in the SDR system on an equal footing. Meanwhile, during these past few days, the number of countries adhering to the New Arrangements to Borrow has increased to fifteen, with credit arrangements of over SDR 15 billion. I do hope that participants that have not yet taken the steps needed to adhere to the NAB decision will do so, so that these supplementary credit lines can enter into force as soon as possible.

Governors, all of you have expressed strong support for the poorest countries struggling to be included in the global economy. Yet, there is a major piece of our financial architecture that is still incomplete—the financing needed to ensure a continuous role for ESAF, and the Fund's contribution, via ESAF, to the joint HIPC initiative. We must rectify this. I am deeply gratified by the contributions that have been made to the interim ESAF, a number of which come from low-income countries and very small economies that want to express their solidarity with the poorest. But I am also troubled that we are still far from our goal, with important deadlines facing us in the next few months. I urge all those who have not yet done so to give their full, unconditional support to ESAF. I also urge everyone to join a consensus that will permit us to bring this effort to a successful conclusion. The Fund must have the means to support the adjustment efforts of those most in need.

Here let me add one additional point. I would not like to leave the impression that progress in Africa has been overshadowed by turmoil in Asia. I would not want the African governors to leave Hong Kong feeling that their concerns had been left on the back burners in our kitchens. So let me refer back to what I said about Africa in my opening address: growth on the order of 4 1/2 to 5 percent is progress, but we must do more and better.

In closing, let me once again thank the Government of China and the Hong Kong Monetary Authority for the professional way in which these meetings have been organized and conducted. Let me also thank our able Chairman, Governor Khirbash from the United Arab Emirates and congratulate the Governor from Austria, who will succeed him. Finally, I wish all of you well until we convene again next year in Washington.