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**Folder Title:**  
World Bank/IMF Annual Meeting 9/27/89 [OA 4390] [1]

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*called in  
nc on 9/29  
5*

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/22/89 ACTION/CONCURRENCE/COMMENT DUE BY: MONDAY, SEPT. 25, 2:00 p.m.

PRESIDENTIAL REMARKS: WORLD BANK/IMF ANNUAL MEETING  
SHERATON WASHINGTON  
WASHINGTON, DC  
SUBJECT: \_\_\_\_\_  
WEDNESDAY, SEPTEMBER 27, 1989  
(9/22 - draft three)

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	STUDDERT	<input type="checkbox"/>	<input type="checkbox"/>
BATES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	UNTERMAYER	<input type="checkbox"/>	<input type="checkbox"/>
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REMARKS:

Please provide comments/edits directly to Chris Winston, Room 122, x2930 with a copy to my office by Monday, September 25 at 2:00 p.m. Thank you.

RESPONSE:

*nc*  
89 SEP 27 4:30

James W. Cicconi  
Assistant to the President  
and Deputy to the Chief of Staff  
Ext. 2702

McNally/Simon  
September 22, 1989  
Draft Three (B:IMF)

09 SEP 22 P 1: 08

PRESIDENTIAL REMARKS: WORLD BANK/IMF ANNUAL MEETING  
SHERATON WASHINGTON  
WASHINGTON, D.C.  
WEDNESDAY, SEPTEMBER 27, 1989

[[ACKNOWLEDGEMENTS]]

It is a pleasure for me to be here this morning, and to welcome you to Washington.

And it is a special privilege for me to be here in the company of my old friend, Barber Conable.

Almost 20 years ago, when Barber sat next to me in the House Ways and Means Committee, we had a bet about who would be first to become President. [[PAUSE]] We never said, "President of what" -- so now Barber claims he beat me by two years. [[PAUSE]]

Remember the reaction when Barber was named bank president? The headlines all said: "BARBARA WHO?" [[PAUSE]] That's okay. Until this year, the same thing happened all the time to Barbara Bush. [[PAUSE]]

We in the United States are keenly aware of the importance of these annual gatherings, and we are proud that we can be your hosts. We regard these meetings as key events -- events that drive the work of all of us in maintaining a strong international economic and financial system.

This is my first opportunity to speak to you as President. But I have followed the activities of the International Monetary Fund and the World Bank throughout my years of public service. I

have visited many of your homelands, and seen first-hand the problems created by inadequate growth and development -- problems that your two distinguished institutions are working to solve.

**But today, we're here to talk not about problems -- but about solutions.**

We have witnessed a dramatic shift over the past few years in the debate over how to achieve sustained growth and development.

And although not a banker, you should know that I do have a degree in economics. It taught me one simple lesson: When you're standing in front of the world's greatest concentration of financial genius -- don't talk about economics. [[PAUSE]]

Let's talk instead about FREEDOM.

All across the world, there has been an almost simultaneous rediscovery of the power created when individuals are given the freedom to decide -- the freedom to act in their own best interests.

True, we're here today mainly to discuss economic freedom. But make no mistake. In the end, both economic freedom -- and political freedom -- are essential and inseparable companions on the road to national prosperity.

The jury is no longer out. Take any one people, give them two sets of rules, and see who prospers and who struggles. There are two Germanys, two Chinas, and two Koreas. It's been almost 50 years. **Let's put an end to economic experiment. Because history has decided.** [[PAUSE]]

It is not climate, natural resources, or cultural traditions that make the difference. I said it in my inuagural address:

"We know what works: Freedom works. We know what's right: Freedom is right. We know how to secure a more just and prosperous life for man on Earth: through free markets, free speech, free elections, and the exercise of free will unhampered by the state." [[PAUSE]]

In Latin America, Africa, and elsewhere, courageous leaders are turning away from state control of their economies. Through economic restructuring and deregulation, they are opening the door to private initiative. And already they are seeing results.

In Mexico, for example, sound economic policies adopted by the Salinas government are pointing to a return of flight capital, and increased foreign investment.

Even more stunning is the transformation in thinking in the communist countries -- not only in the Soviet Union, but in Eastern Europe.

Our recent travels among the people of Poland and Hungary led to many dramatic and stirring encounters. But almost as much as we were impressed by the people, we were impressed by the almost universal acceptance of the free market as the best hope -- indeed, the only hope -- for reversing the economic fortunes of these two proud countries.

The rediscovery of these basic truths in the East has been matched by a recommitment to them in the West. Today the members

of the European Community are dedicated to eliminating internal barriers to economic activity by the year 1992.

The Peruvian economist, Hernando de Soto, has helped us understand this worldwide phenomenon by documenting the process in Latin America.

de Soto was raised in Peru, and educated there and in Europe, where he lived until 1979. But the chronic privation of his homeland haunted him. Rather than analyzing flow-charts or official statistics for the answer, he began walking the streets of Lima.

He found that the poor of Latin America -- who have never read Jefferson or Adam Smith -- ran their affairs democratically, outside the formal economy, organizing their private, parallel economy in a free and unregulated manner.

de Soto's great contribution has been to point out what, in retrospect, may seem obvious: **People everywhere want the same things.** And when left alone by government, people everywhere organize their lives in remarkably similar ways.

de Soto's prescription has been successful everywhere it's been tried. Governments must bring the "informal" workers into the regular economy -- and then get out of the way, and let individual enterprise flourish.

The wider application of these principles within our economies is critical to achieving the stronger, more prosperous, global economy of tomorrow.

We each must do our part. The industrial countries have a special responsibility. We must coordinate economic policies to help provide sustained growth with low inflation and greater stability in exchange markets.

We in the United States are working especially hard to reduce the federal budget deficit, and to increase our national savings rate.

All our nations have a responsibility to ensure a fair and open trading system. We have a tremendous opportunity to advance that cause now, by making a success of the Uruguay Round of trade negotiations.

Making the political commitments necessary to ensure a success will not be easy in any of our countries. **But it must be done.** We must strengthen the GATT, and allow our markets to open in a mutual, step-by-step fashion.

As we seek to extend and expand growth in the world economy, the debt problems faced by developing countries are central to the agendas of the IMF and the World Bank. Over the past year, the international community's strengthened approach to these problems has provided new hope for debtor nations.

America's Secretary of the Treasury, my good friend Nick Brady, has helped direct the focus on debt relief, bringing developing nations and commercial banks back to where they belong -- the negotiating table.

Quick action by both the IMF and the World Bank has given this new strategy vital support. By making clear the terms under

which they will support the reduction of debt burdens -- and by working with countries to develop the necessary economic reform programs -- these institutions have made it possible to reduce debt burdens without eliminating growth.

Thanks to these initiatives, the United States was able to broker an agreement in July between Mexico and its biggest private lenders. The deal enabled Mexico to make enormous progress against its debt burden -- some ten to twelve billion dollars.

This agreement underscores the benefits other debtor countries stand to realize from this approach. Mexico's savings from this package will free resources for productive use in the economy, leading to increased investment and improved growth.

**What Mexico has done is not a miracle. It is a product of hard work and sustained commitment.**

My father, Prescott Bush, Sr., was a successful businessman, a banker whose forte was reorganizing failing companies, turning money losers into profit makers. Dad believed in the old Ben Franklin almanac maxims when it came to earning, saving, and spending. We grew up understanding that life isn't an open-ended checking account.

The strengthened debt strategy is flexible enough to address the unique needs of each country. **But the strategy will not work without sound economic policies in debtor countries.**

**Inefficient, unrealistic, and growth-stifling policies must go.** Benefits are available to a broad range of other countries

that pursue economic reforms. Several are now actively engaged with the IMF and World Bank, and with the banking community -- Costa Rica, Venezuela, and Morocco, to name a few.

Commercial banks have a special role in making this process work. It is important that the banks follow through on efforts made with Mexico and the Philippines, and sustain this momentum with other countries.

We encourage these efforts not as self-sacrifice -- but as self-interest. True, success not only will help the debtor nations. But it will also strengthen the banks, by putting their portfolios on a sounder footing.

One of the lessons of the 1980's, especially the debt crisis, is that we're all in this together. And when we cooperate, we all come out winners.

The IMF and the World Bank are at the crossroads of our cooperative efforts. They are distinct institutions, even though their work is complementary and their objectives often overlap.

The IMF must continue to foster the sound economic policies necessary for sustained growth. As part of that responsibility, the Fund has assumed an important and welcome role in the strengthened debt strategy.

The United States believes that the IMF must have adequate resources to fulfill its critical role. We will continue to work with other members, in the hope of completing the current review of quotas by the end of the year.

However, if we are to ask our taxpayers to put up additional resources, they must be assured that the funds are truly needed, and will be used prudently and effectively to achieve shared objectives.

We all look to the World Bank to help build the foundation for a future global prosperity that reaches all our citizens.

Its efforts to promote structural reform and development are crucial to resolving debt problems. The Bank's decisions to take on new responsibilities on the debt front are welcome.

To promote the Bank's objectives, the international community established the International Development Agency within the Bank as a means of providing concessional resources to the poorest countries. We must all continue to support its activities.

We have also learned, as I emphasized Monday at the U.N., and last summer at the Group of Seven, that **environmental destruction knows no borders.**

The twin evils of crushing debt levels and a deteriorating environment threaten not only the development, but even the stability of our neighbors in Latin America, Africa, parts of Asia and even Europe. And global warming and rapid deforestation pose a threat to all humankind.

**We face unprecedented problems. We need -- and we can find -- unprecedented solutions.**

To make growth truly sustainable, we must weigh environmental considerations more heavily as we make economic

decisions. Let us charge those responsible for managing debt reduction with finding ways and means to strengthen development strategy through "debt for nature transactions" and other innovative plans.

**Because with leadership, problems can become opportunities.**

Over the years -- as we've come to understand the crippling effects environmental destruction can have on the long-term growth of developing countries -- the World Bank has increased the priority it assigns to environmental concerns. The Bank has introduced such topics as reforestation, biological diversity, air pollution, and waste disposal, into its country programming and economic policy dialogue. We applaud these efforts. And we will continue to support them.

In addressing the challenges of the 1980's, we have come to a deeper understanding of the importance of cooperating as a community of nations to address common problems.

This, too, is a matter of returning to basic truths. More than thirty years ago, President Eisenhower spoke to this group about his experiences in wartime. He recalled working with groups that had to develop real cooperation among themselves -- or there could be no success.

Ike noted, as I do now, that there were people in the audience who were our allies in that grand effort. He said:

"We early found one thing: without the heart, without the enthusiasm for the cause in which we were working, no cooperation

was possible. With that enthusiasm, subordinating all else to the advancement of the cause, cooperation was easy."

Today our mutual efforts to improve global growth, to ease the burdens of developing country indebtedness, and to open up markets for trade, have demonstrated anew that progress is best achieved by facing pressing issues together.

This is a lesson we must carry with us into the 1990's if we are to pass on to future generations a global economy that is strong and resilient, and able to provide for the aspirations of the citizens of all our countries.

Thank you for your hard work, your service, your commitment. And thank you for coming to Washington. Godspeed you in your efforts here, and God bless you and the nations you represent.

# # #

REMARKS: WORLD BANK/IMF ANNUAL MEETING  
SHERATON WASHINGTON  
WASHINGTON, D.C.  
WEDNESDAY, SEPTEMBER 27, 1989  
9:35 A.M.

THANK YOU. AND THANKS ESPECIALLY TO MY GOOD  
FRIEND NICK BRADY, FOR THOSE WARM WORDS, AND FOR HIS  
OUTSTANDING ECONOMIC LEADERSHIP -- BOTH AT HOME, AND  
ABROAD. [[PAUSE]]

CHAIRMAN LEE, PRESIDENT CONABLE, MR. CAMDESSUS  
[[KAHM-DEH-SOO]] IT IS A PLEASURE FOR ME TO BE HERE  
THIS MORNING, AND TO WELCOME YOU TO WASHINGTON. AND IT  
IS A SPECIAL PRIVILEGE FOR ME TO BE HERE IN THE COMPANY  
OF MY OLD FRIEND, BARBER CONABLE.

WE IN THE UNITED STATES ARE KEENLY AWARE OF THE  
IMPORTANCE OF THESE ANNUAL GATHERINGS, WHICH DRIVE THE  
WORK OF ALL OF US IN MAINTAINING A STRONG INTERNATIONAL  
ECONOMIC AND FINANCIAL SYSTEM.

THIS IS MY FIRST OPPORTUNITY TO SPEAK TO YOU AS PRESIDENT. BUT I HAVE FOLLOWED THE ACTIVITIES OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK THROUGHOUT MY YEARS OF PUBLIC SERVICE. I HAVE VISITED MANY OF YOUR HOMELANDS, AND SEEN FIRST-HAND THE PROBLEMS CREATED BY INADEQUATE GROWTH AND DEVELOPMENT -- PROBLEMS THAT YOUR TWO DISTINGUISHED INSTITUTIONS ARE WORKING TO SOLVE.

WE HAVE WITNESSED A DRAMATIC SHIFT OVER THE PAST FEW YEARS IN THE DEBATE OVER HOW TO ACHIEVE SUSTAINED GROWTH AND DEVELOPMENT.

ALL ACROSS THE WORLD, THERE HAS BEEN AN ALMOST SIMULTANEOUS REDISCOVERY OF THE POWER CREATED WHEN INDIVIDUALS ARE GIVEN THE FREEDOM TO ACT IN THEIR OWN BEST INTERESTS.

TRUE, WE'RE HERE TODAY MAINLY TO DISCUSS ECONOMIC FREEDOM. BUT MAKE NO MISTAKE. IN THE END, BOTH ECONOMIC FREEDOM -- AND POLITICAL FREEDOM -- ARE ESSENTIAL AND INSEPARABLE COMPANIONS ON THE ROAD TO NATIONAL PROSPERITY.

THE JURY IS NO LONGER OUT. LOOK AT THE TWO ECONOMIC SYSTEMS AND SEE WHO HAS PROSPERED AND WHO HAS STRUGGLED. \ \ LET'S PUT AN END TO THIS ECONOMIC EXPERIMENT. \ \ / BECAUSE HISTORY HAS DECIDED.  
[[PAUSE]]

IT IS NOT CLIMATE, NATURAL RESOURCES, OR CULTURAL TRADITIONS THAT MAKE THE DIFFERENCE. I SAID IT IN MY INAUGURAL ADDRESS:

"WE KNOW WHAT WORKS: FREEDOM WORKS. WE KNOW HOW TO SECURE A MORE JUST AND PROSPEROUS LIFE FOR MAN ON EARTH: THROUGH FREE MARKETS, FREE SPEECH, FREE ELECTIONS, AND THE EXERCISE OF FREE WILL UNHAMPERED BY THE STATE." [[PAUSE]]

IN LATIN AMERICA, AFRICA, AND MEXICO, COURAGEOUS LEADERS ARE TURNING AWAY FROM STATE CONTROL OF THEIR ECONOMIES. ECONOMIC RESTRUCTURING AND DEREGULATION ARE OPENING THE DOOR TO PRIVATE INITIATIVE. AND ALREADY THEY ARE SEEING RESULTS.

EVEN MORE STUNNING IS THE TRANSFORMATION IN THINKING IN THE COMMUNIST COUNTRIES -- IN BOTH THE SOVIET UNION AND IN EASTERN EUROPE.

DURING OUR RECENT TRAVELS IN POLAND AND HUNGARY, WE WERE IMPRESSED BY THE PEOPLE. BUT WE WERE ALSO IMPRESSED BY THE ALMOST UNIVERSAL ACCEPTANCE OF THE FREE MARKET AS THE BEST HOPE -- INDEED, THE ONLY HOPE -- FOR REVERSING THE ECONOMIC FORTUNES OF THESE TWO PROUD COUNTRIES.

AND WE WELCOME THE EFFORTS OF THE SOVIET UNION TO LIBERALIZE AND DECENTRALIZE THEIR ECONOMY. I HAVE SAID MANY TIMES THAT I WANT TO SEE PERESTROIKA SUCCEED. A MORE OPEN AND HUMANE SOVIET UNION CAN ONLY BE IN THE INTEREST OF THE WEST. AND AS WE SEE THE EVIDENCE OF THAT REFORM, WE CAN MATCH IT WITH STEPS OF OUR OWN.

THE REDISCOVERY OF THESE BASIC TRUTHS IN THE EAST HAS BEEN MATCHED BY A RECOMMITMENT TO THEM IN THE WEST. TODAY THE MEMBERS OF THE EUROPEAN COMMUNITY ARE DEDICATED TO ELIMINATING INTERNAL BARRIERS TO ECONOMIC ACTIVITY BY THE END OF 1992. AND, EUROPE'S LEADERS ASSURE ME THAT THIS WILL NOT BE AT THE COST OF NEW EXTERNAL BARRIERS TO TRADE WITH THE E.C.

THE PERUVIAN ECONOMIST, HERNANDO DE SOTO, HAS HELPED US UNDERSTAND A WORLDWIDE ECONOMIC PHENOMENON. BY WALKING THE STREETS OF LIMA, NOT ANALYZING OFFICIAL STATISTICS, HE FOUND THAT THE POOR OF LATIN AMERICA -- WHO HAVE NEVER READ JEFFERSON OR ADAM SMITH -- RAN THEIR AFFAIRS DEMOCRATICALLY, OUTSIDE THE FORMAL ECONOMY, ORGANIZING THEIR PRIVATE, PARALLEL ECONOMY IN A FREE AND UNREGULATED MANNER.

DE SOTO'S GREAT CONTRIBUTION HAS BEEN TO POINT OUT WHAT, IN RETROSPECT, MAY SEEM OBVIOUS: PEOPLE EVERYWHERE WANT THE SAME THINGS. AND WHEN LEFT ALONE BY GOVERNMENT, PEOPLE EVERYWHERE ORGANIZE THEIR LIVES IN REMARKABLY SIMILAR WAYS.

DE SOTO'S PRESCRIPTION OFFERS A CLEAR AND PROMISING ALTERNATIVE TO ECONOMIC STAGNATION IN LATIN AMERICA AND OTHER PARTS OF THE WORLD. GOVERNMENTS MUST BRING THE "INFORMAL" WORKERS INTO THE REGULAR ECONOMY -- AND THEN GET OUT OF THE WAY, AND LET INDIVIDUAL ENTERPRISE FLOURISH.

WE EACH MUST DO OUR PART. THE INDUSTRIAL COUNTRIES HAVE A SPECIAL RESPONSIBILITY. WE MUST COORDINATE ECONOMIC POLICIES TO HELP PROVIDE SUSTAINED GROWTH WITH LOW INFLATION, REDUCED TRADE IMBALANCES, AND GREATER STABILITY IN EXCHANGE MARKETS.

WE IN THE UNITED STATES ARE WORKING ESPECIALLY HARD TO REDUCE THE FEDERAL BUDGET DEFICIT, AND TO INCREASE OUR NATIONAL SAVINGS RATE.

ALL OUR NATIONS HAVE A RESPONSIBILITY TO ENSURE A FAIR AND OPEN TRADING SYSTEM. WE HAVE A TREMENDOUS OPPORTUNITY TO ADVANCE THAT CAUSE NOW, BY MAKING A SUCCESS OF THE URUGUAY ROUND OF TRADE NEGOTIATIONS.

MAKING THE POLITICAL COMMITMENTS NECESSARY TO ENSURE A SUCCESS WILL NOT BE EASY, BUT WE MUST STRENGTHEN THE GATT, AND ALLOW OUR MARKETS TO OPEN IN A MUTUAL, STEP-BY-STEP FASHION.

AS WE SEEK TO EXTEND AND EXPAND GROWTH IN THE WORLD ECONOMY, THE DEBT PROBLEMS FACED BY DEVELOPING COUNTRIES ARE CENTRAL TO THE AGENDAS OF THE IMF AND THE WORLD BANK. OVER THE PAST YEAR, THE INTERNATIONAL COMMUNITY'S STRENGTHENED APPROACH TO THESE PROBLEMS HAS PROVIDED NEW HOPE FOR DEBTOR NATIONS.

AMERICA'S SECRETARY OF THE TREASURY, NICK BRADY, HAS HELPED DIRECT THE FOCUS ON DEBT REDUCTION AS A COMPLEMENT TO CONTINUED NEW LENDING -- BRINGING DEVELOPING NATIONS AND COMMERCIAL BANKS BACK TO WHERE THEY BELONG: THE NEGOTIATING TABLE.

QUICK ACTION BY BOTH THE IMF AND THE WORLD BANK HAS GIVEN THIS NEW STRATEGY VITAL SUPPORT. BY MAKING CLEAR THE TERMS UNDER WHICH THEY WILL SUPPORT THE REDUCTION OF DEBT BURDENS -- AND BY WORKING WITH COUNTRIES TO DEVELOP THE NECESSARY ECONOMIC REFORM PROGRAMS -- THESE INSTITUTIONS HAVE MADE IT POSSIBLE TO REDUCE DEBT BURDENS AND PROVIDE A SOLID FOUNDATION FOR GROWTH.

THANKS TO THESE INITIATIVES, MEXICO REACHED AN AGREEMENT WITH ITS CREDITOR BANKS ENABLING MEXICO TO MAKE ENORMOUS PROGRESS IN REDUCING ITS DEBT BURDEN. IT ALSO HELPED RESTORE CONFIDENCE IN THE MEXICAN ECONOMY WHICH HAS ALREADY RESULTED IN A RETURN OF CAPITAL AND NEW FOREIGN INVESTMENT.

THIS AGREEMENT UNDERSCORES THE BENEFITS OTHER DEBTOR COUNTRIES STAND TO REALIZE FROM THIS APPROACH. MEXICO'S SAVINGS FROM THIS PACKAGE WILL FREE RESOURCES FOR PRODUCTIVE USE IN THE ECONOMY, LEADING TO INCREASED INVESTMENT AND IMPROVED GROWTH.

**WHAT MEXICO HAS DONE IS NOT A MIRACLE. IT IS A PRODUCT OF HARD WORK AND SUSTAINED COMMITMENT.**

**THE STRENGTHENED DEBT STRATEGY IS FLEXIBLE ENOUGH TO ADDRESS THE UNIQUE NEEDS OF EACH COUNTRY. BUT THE STRATEGY WILL NOT WORK WITHOUT SOUND ECONOMIC POLICIES IN DEBTOR COUNTRIES.**

**INEFFICIENT, UNREALISTIC, AND GROWTH-STIFLING POLICIES MUST GO. BENEFITS ARE AVAILABLE TO A BROAD RANGE OF OTHER COUNTRIES THAT PURSUE ECONOMIC REFORMS. SEVERAL ARE NOW ACTIVELY ENGAGED WITH THE IMF AND WORLD BANK, AND WITH THE BANKING COMMUNITY.**

**COMMERCIAL BANKS HAVE A SPECIAL ROLE IN MAKING THIS PROCESS WORK AND MUST FOLLOW THROUGH ON EFFORTS MADE WITH MEXICO AND THE PHILIPPINES, AND BROADEN THEIR EFFORTS WITH OTHER COUNTRIES.**

**WE ENCOURAGE THESE STEPS NOT AS SELF-SACRIFICE -- BUT AS SELF-INTEREST. TRUE, SUCCESS NOT ONLY WILL HELP THE DEBTOR NATIONS. BUT IT WILL ALSO STRENGTHEN THE BANKS, BY PUTTING THEIR PORTFOLIOS ON A SOUNDER FOOTING.**

ONE OF THE LESSONS OF THE 1980'S, ESPECIALLY THE DEBT CRISIS, IS THAT WE'RE ALL IN THIS TOGETHER. AND WHEN WE COOPERATE, WE ALL COME OUT WINNERS.

THE IMF AND THE WORLD BANK ARE AT THE CROSSROADS OF OUR COOPERATIVE EFFORTS. THE IMF MUST CONTINUE TO FOSTER THE SOUND ECONOMIC POLICIES NECESSARY FOR SUSTAINED GROWTH. AS PART OF THAT RESPONSIBILITY, THE FUND HAS ASSUMED AN IMPORTANT AND WELCOME ROLE IN THE STRENGTHENED DEBT STRATEGY.

THE UNITED STATES RECOGNIZES THAT THE IMF MUST HAVE ADEQUATE RESOURCES TO FULFILL ITS CRITICAL ROLE. WE WILL CONTINUE TO WORK WITH OTHER MEMBERS, IN THE HOPE OF REACHING A DECISION ON QUOTAS BY THE END OF THE YEAR. THE UNITED STATES HAS ALWAYS SUPPORTED THE IMF AND WILL CONTINUE TO DO SO.

WE ALL LOOK TO THE WORLD BANK TO HELP BUILD THE FOUNDATION FOR A FUTURE GLOBAL PROSPERITY THAT REACHES ALL PEOPLES. ITS EFFORTS TO PROMOTE STRUCTURAL REFORM AND DEVELOPMENT ARE CRUCIAL TO RESOLVING DEBT PROBLEMS. THE BANK'S DECISIONS TO TAKE ON NEW RESPONSIBILITIES ON THE DEBT FRONT ARE WELCOME.

ALSO, TO ADDRESS THE SIGNIFICANT PROBLEMS OF THE POOREST COUNTRIES, THE INTERNATIONAL DEVELOPMENT ASSOCIATION WAS ESTABLISHED AND WILL CONTINUE TO HAVE THE SUPPORT OF THE UNITED STATES.

WE HAVE ALSO LEARNED, AS I EMPHASIZED MONDAY AT THE U.N., AND LAST SUMMER AT THE PARIS SUMMIT, THAT ENVIRONMENTAL DESTRUCTION KNOWS NO BORDERS.

TO MAKE GROWTH TRULY SUSTAINABLE, WE MUST WEIGH ENVIRONMENTAL CONSIDERATIONS MORE HEAVILY AS WE MAKE ECONOMIC DECISIONS. WE MUST ALSO FIND WAYS TO STRENGTHEN OUR ENVIRONMENTAL AND DEVELOPMENTAL EFFORTS, THROUGH INNOVATIVE THINKING SUCH AS "DEBT FOR NATURE" TRANSACTIONS.

OVER THE YEARS -- AS WE'VE COME TO UNDERSTAND THE EFFECT OF ENVIRONMENTAL DESTRUCTION ON THE LONG-TERM GROWTH OF DEVELOPING COUNTRIES -- THE WORLD BANK HAS INCREASED THE PRIORITY IT ASSIGNS TO ENVIRONMENTAL CONCERNS. WE APPLAUD THOSE EFFORTS. BUT THERE IS MORE TO BE DONE. WE NEED TO WORK MORE COOPERATIVELY TO DEVELOP CONSTRUCTIVE SOLUTIONS TO GLOBAL WARMING, INCLUDING MEASURES TO PROMOTE ENERGY EFFICIENCY AND CONSERVATION AND GREATER PROTECTION OF FOREST RESOURCES.

IN ADDRESSING THE CHALLENGES OF THE 1980'S, WE HAVE COME TO A DEEPER UNDERSTANDING OF THE IMPORTANCE OF COOPERATING AS A COMMUNITY OF NATIONS TO ADDRESS COMMON PROBLEMS.

I CAN THINK OF NO BETTER CURRENT EXAMPLE THAN THE NEED TO WORK TOGETHER TO DEAL WITH INTERNATIONAL DRUG TRAFFICKING AND MONEY LAUNDERING. IT IS A WORLDWIDE PROBLEM. DRUG MONEY UNDERMINES HONEST BUSINESSES, CORRUPTS POLITICAL INSTITUTIONS, AND EVEN THREATENS THE SECURITY OF NATIONS. TO CONCEAL THEIR OBSCENE PROFITS, DRUG BARONS MUST WASH THEIR MONEY BY CYCLING IT THROUGH FINANCIAL INSTITUTIONS AND ILLEGITIMATE SHELL CORPORATIONS.

THE UNITED STATES RENEWS ITS CALL UPON ALL COUNTRIES TO RATIFY THE UNITED NATIONS VIENNA CONVENTION, AND MAKE MONEY LAUNDERING A CRIMINAL AND EXTRADITABLE OFFENSE. WE NEED TOUGH MEASURES TO TRACK DOWN AND CONFISCATE THE PROFITS OF DRUG-RELATED CRIME.

I AM ENCOURAGED BY THE G-7 DEMOCRACIES' INTEREST IN A COORDINATED RESPONSE TO THE MONEY LAUNDERING MENACE. I URGE EVERYONE TO JOIN WITH US TO EXPLORE NEW WAYS TO STOP MONEY LAUNDERING IN ITS TRACKS.

AND THERE MAY BE NO GREATER OPPORTUNITY BEFORE US ALL TODAY THAN THE CHALLENGE OF POLAND AND MORE BROADLY EASTERN EUROPE -- WHERE COUNTRIES ARE IN THE THROES OF DRAMATIC POLITICAL AND ECONOMIC CHANGE.

THE UNITED STATES AND ITS INTERNATIONAL PARTNERS HAVE ALREADY UNDERTAKEN NEW INITIATIVES TOWARD POLAND. BUT NOW, IN LIGHT OF CLEARLY GROWING NEEDS, THE RECENT ACCESSION OF A SOLIDARITY-LED GOVERNMENT, AND OUR SELF-EVIDENT STAKE IN ITS SUCCESS, WE MUST DO MORE. WE UNDERSTAND THE POLISH GOVERNMENT HAS UNDER CONSIDERATION A BOLD PLAN FOR ECONOMIC RECOVERY.

I CALL ON THE I.M.F. AND THE WORLD BANK TO WORK RAPIDLY WITH POLAND TO DEVELOP SUCH A PROGRAM AND ENSURE ITS SUCCESSFUL IMPLEMENTATION. FOR ITS PART, THE UNITED STATES INTENDS TO BE OUT IN FRONT OF THIS EFFORT, TO TAKE ADVANTAGE OF THIS HISTORIC DEVELOPMENT AND TO ENSURE ITS SUCCESS.

TODAY OUR MUTUAL EFFORTS TO IMPROVE GLOBAL GROWTH, TO EASE THE BURDENS OF DEVELOPING COUNTRY INDEBTEDNESS, AND TO OPEN UP MARKETS FOR TRADE, HAVE DEMONSTRATED ANEW THAT PROGRESS IS BEST ACHIEVED BY FACING PRESSING ISSUES TOGETHER.

THIS IS A LESSON WE MUST CARRY WITH US INTO THE 1990'S IF WE ARE TO PASS ON TO FUTURE GENERATIONS A GLOBAL ECONOMY THAT IS STRONG AND RESILIENT, AND ABLE TO PROVIDE FOR THE ASPIRATIONS OF THE CITIZENS OF ALL OUR COUNTRIES.

THANK YOU FOR YOUR HARD WORK, YOUR SERVICE, YOUR COMMITMENT. GOD BLESS YOU AND THE NATIONS YOU REPRESENT.

# # #

THE WHITE HOUSE  
WASHINGTON

September 25, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

THROUGH:           CHRISS WINSTON *CW*  
FROM:               EDWARD McNALLY *EM*  
SUBJECT:            REMARKS FOR THE WORLD BANK/IMF ANNUAL MEETING

I.    SUMMARY

Attached for your consideration and review are draft remarks for Wednesday morning's address to the annual meeting of the World Bank and the International Monetary Fund.

II.   DISCUSSION

At 9:35 a.m. on Wednesday, September 27, 1989, you are scheduled to arrive at the Sheraton Washington Hotel to address the annual meeting of the World Bank and the International Monetary Fund.

You will be introduced by Treasury Secretary Nicholas Brady. An audience of approximately 3,500 international bankers is expected to attend.

The attached remarks were originally developed in a draft prepared by the Treasury Department, after being re-worked here by Stephen Farrar, Associate Director for International Economic Policy in Roger Porter's Office. The remarks emphasize your belief in the power of free markets and free choices to bring about national prosperity for any country, offer your support for the Brady Plan for debt relief, and underscore your commitment to safeguarding the environment even while promoting economic development abroad.

McNally/Simon  
September 25, 1989 7:30 pm  
Draft Four (B:IMF)

PRESIDENTIAL REMARKS: WORLD BANK/IMF ANNUAL MEETING  
SHERATON WASHINGTON  
WASHINGTON, D.C.  
WEDNESDAY, SEPTEMBER 27, 1989  
9:35 a.m.

Thank you. And thanks especially to my good friend Nick Brady, for those warm words, and for his outstanding economic leadership -- both at home, and abroad. [[PAUSE]]

Chairman Lee [[TYU KYU SUNG LEE, CHAIRMAN, WORLD BANK BOARD OF GOVERNORS]], President Conable [[BARBER CONABLE, WORLD BANK PRESIDENT]], Mr. Camdessus [[KAHM-deh-SOOS]] [[MICHEL CAMDESSUS, IMF MANAGING DIRECTOR]].

It is a pleasure for me to be here this morning, and to welcome you to Washington.

And it is a special privilege for me to be here in the company of my old friend, Barber Conable.

Almost 20 years ago, when Barber sat next to me in the House Ways and Means Committee, we had a bet about who would be first to become President. [[PAUSE]] We never said, "President of what" -- so now Barber claims he beat me by two years. [[PAUSE]]

Remember the reaction when Barber was named bank president? The headlines all said: "BARBARA WHO?" [[PAUSE]] That's okay. Until this year, the same thing happened all the time to Barbara Bush. [[PAUSE]]

We in the United States are keenly aware of the importance of these annual gatherings, and we are proud that we can be your

hosts, as we have been for over 40 years since these institutions were created. We regard these meetings as key events -- events that drive the work of all of us in maintaining a strong international economic and financial system.

This is my first opportunity to speak to you as President. But I have followed the activities of the International Monetary Fund and the World Bank throughout my years of public service. I have visited many of your homelands, and seen first-hand the problems created by inadequate growth and development -- problems that your two distinguished institutions are working to solve.

**But today, we're here to talk not about problems -- but about solutions.**

We have witnessed a dramatic shift over the past few years in the debate over how to achieve sustained growth and development.

And although not a banker, you should know that I do have a degree in economics. It taught me one simple lesson: When you're standing in front of the world's greatest concentration of financial genius -- don't talk about economics. [[PAUSE]]

Let's talk instead about FREEDOM.

All across the world, there has been an almost simultaneous rediscovery of the power created when individuals are given the freedom to decide -- the freedom to act in their own best interests.

True, we're here today mainly to discuss economic freedom. But make no mistake. In the end, both economic freedom -- and

political freedom -- are essential and inseparable companions on the road to national prosperity.

The jury is no longer out. Take any one people, give them two sets of rules, and see who prospers and who struggles. Since World War II, we have seen two Germanys, [two Chinas], and two Koreas. It's been almost 50 years. \\ **Let's put an end to this economic experiment. V/V Because history has decided.**

[[PAUSE]]

It is not climate, natural resources, or cultural traditions that make the difference. I said it in my inaugural address:

"We know what works: Freedom works. We know what's right: Freedom is right. We know how to secure a more just and prosperous life for man on Earth: through free markets, free speech, free elections, and the exercise of free will unhampered by the state." [[PAUSE]]

In Latin America, Africa, and elsewhere, courageous leaders are turning away from state control of their economies. Through economic restructuring and deregulation, they are opening the door to private initiative. And already they are seeing results.

In Mexico, for example, sound economic policies adopted by the Salinas government -- coupled with their recent agreement with creditor banks -- are leading to a increased capital and foreign investment, and reduced domestic interest rates.

Even more stunning is the transformation in thinking in the communist countries -- not only in the Soviet Union, but in Eastern Europe.

Our recent travels among the people of Poland and Hungary led to many dramatic and stirring encounters. But almost as much as we were impressed by the people, we were impressed by the almost universal acceptance of the free market as the best hope -- indeed, the only hope -- for reversing the economic fortunes of these two proud countries.

The rediscovery of these basic truths in the East has been matched by a recommitment to them in the West. Today the members of the European Community are dedicated to eliminating internal barriers to economic activity by the end of 1992. And, Europe's leaders assure me that this will not be at the cost of new external barriers to trade with the E.C.

The Peruvian economist, Hernando de Soto, has helped us understand this worldwide phenomenon by documenting the process in Latin America.

De Soto was raised in Peru, and educated there and in Europe, where he lived until 1979. But the chronic privation of his homeland haunted him. Rather than analyzing flow-charts or official statistics for the answer, he began walking the streets of Lima.

He found that the poor of Latin America -- who have never read Jefferson or Adam Smith -- ran their affairs democratically, outside the formal economy, organizing their private, parallel economy in a free and unregulated manner.

De Soto's great contribution has been to point out what, in retrospect, may seem obvious: **People everywhere want the same**

things. And when left alone by government, people everywhere organize their lives in remarkably similar ways.

De Soto's prescription offers a clear and promising alternative to economic stagnation in Latin America and other parts of the world. Governments must bring the "informal" workers into the regular economy -- and then get out of the way, and let individual enterprise flourish.

The wider application of these principles within our economies is critical to achieving the stronger, more prosperous, global economy of tomorrow.

We each must do our part. The industrial countries have a special responsibility. We must coordinate economic policies to help provide sustained growth with low inflation, reduced trade imbalances, and greater stability in exchange markets.

We in the United States are working especially hard to reduce the federal budget deficit, and to increase our national savings rate.

All our nations have a responsibility to ensure a fair and open trading system. We have a tremendous opportunity to advance that cause now, by making a success of the Uruguay Round of trade negotiations.

Making the political commitments necessary to ensure a success will not be easy in any of our countries. But it must be done. We must strengthen the GATT, and allow our markets to open in a mutual, step-by-step fashion.

As we seek to extend and expand growth in the world economy, the debt problems faced by developing countries are central to the agendas of the IMF and the World Bank. Over the past year, the international community's strengthened approach to these problems has provided new hope for debtor nations.

America's Secretary of the Treasury, my good friend Nick Brady, has helped direct the focus on debt reduction as a complement to continued new lending -- bringing developing nations and commercial banks back to where they belong: the negotiating table.

Quick action by both the IMF and the World Bank has given this new strategy vital support. By making clear the terms under which they will support the reduction of debt burdens -- and by working with countries to develop the necessary economic reform programs -- these institutions have made it possible to reduce debt burdens and provide a solid foundation for growth.

Thanks to these initiatives, Mexico reached an agreement in July with its creditor banks. The deal enabled Mexico to make enormous progress in reducing its debt burden. It also helped restore confidence in the Mexican economy which has already resulted in a return of flight capital and new foreign investment.

This agreement underscores the benefits other debtor countries stand to realize from this approach. Mexico's savings from this package will free resources for productive use in the economy, leading to increased investment and improved growth.

What Mexico has done is not a miracle. It is a product of hard work and sustained commitment.

The strengthened debt strategy is flexible enough to address the unique needs of each country. But the strategy will not work without sound economic policies in debtor countries.

Inefficient, unrealistic, and growth-stifling policies must go. Benefits are available to a broad range of other countries that pursue economic reforms. Several are now actively engaged with the IMF and World Bank, and with the banking community -- Costa Rica, Venezuela, Poland, and Morocco, to name a few.

Commercial banks have a special role in making this process work. It is important that the banks follow through on efforts made with Mexico and the Philippines, and broaden their efforts with other countries.

We encourage these efforts not as self-sacrifice -- but as self-interest. True, success not only will help the debtor nations. But it will also strengthen the banks, by putting their portfolios on a sounder footing.

One of the lessons of the 1980's, especially the debt crisis, is that we're all in this together. And when we cooperate, we all come out winners.

The IMF and the World Bank are at the crossroads of our cooperative efforts. They are distinct institutions, even though their work is complementary and their objectives often overlap.

The IMF must continue to foster the sound economic policies necessary for sustained growth. As part of that responsibility,

the Fund has assumed an important and welcome role in the strengthened debt strategy.

The United States recognizes that the IMF must have adequate resources to fulfill its critical role. We will continue to work with other members, in the hope of reaching a decision on quotas by the end of the year. The United States has always supported the IMF and will continue to do so.

We all look to the World Bank to help build the foundation for a future global prosperity that reaches all our citizens.

Its efforts to promote structural reform and development are crucial to resolving debt problems. The Bank's decisions to take on new responsibilities on the debt front are welcome.

In order to address the significant problems of the poorest countries, the international community established the International Development Association (IDA) within the Bank as a means of providing concessional resources to those countries. I.D.A. will continue to have the support of the United States as it has had in the past.

We have also learned, as I emphasized Monday at the U.N., and last summer at the Paris Summit, that **environmental destruction knows no borders.**

[The twin problems of crushing debt levels and a deteriorating environment threaten not only the development, but even the stability of our neighbors in Latin America, Africa, parts of Asia and even Europe. And global warming and rapid deforestation pose a threat to all humankind.]

**We face unprecedented problems. We need -- and we can find -- unprecedented solutions.**

To make growth truly sustainable, we must weigh environmental considerations more heavily as we make economic decisions. We must also find ways to strengthen our environmental and developmental efforts, through innovative thinking such as "debt for nature transactions."

**Because with leadership, problems can become opportunities.**

Over the years -- as we've come to understand the crippling effects environmental destruction can have on the long-term growth of developing countries -- the World Bank has increased the priority it assigns to environmental concerns. We applaud the efforts made thus far. But there is more to be done. In particular, we need to work more cooperatively to develop constructive solutions to global warming, including measures to promote energy efficiency and conservation and greater protection of forest resources.

In addressing the challenges of the 1980's, we have come to a deeper understanding of the importance of cooperating as a community of nations to address common problems.

I can think of no better current example than the need to work together to deal with international drug trafficking and money laundering. It is a worldwide problem. Drug money undermines honest businesses, corrupts political institutions, and even threatens the security of nations. To conceal their obscene profits, drug barons must wash their money by cycling it

through financial institutions and illegitimate shell corporations.

The United States renews its call upon all countries to ratify the United Nations Vienna Convention, and make money laundering a criminal and extraditable offense. We need tough measures to track down and confiscate the profits of drug-related crime.

I was encouraged at the 1989 Economic Summit, when the G-7 industrial democracies demonstrated an active interest in a coordinated response to the money laundering menace. My country will host next year's summit, and I guarantee that the United States will be pushing for further progress and bold action. I urge everyone to join with us to explore new ways to stop money laundering in its tracks.

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This is a lesson we must carry with us into the 1990's if we are to pass on to future generations a global economy that is strong and resilient, and able to provide for the aspirations of the citizens of all our countries.

Thank you for your hard work, your service, your commitment. And thank you for coming to Washington. Godspeed you in your efforts here, and God bless you and the nations you represent.

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*insert Poland*  
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# # #

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/26/89 ACTION/CONCURRENCE/COMMENT DUE BY: -----

PRESIDENTIAL REMARKS: WORLD BANK/IMF ANNUAL MEETING  
SHERATON WASHINGTON  
WASHINGTON, DC

SUBJECT: WEDNESDAY, SEPTEMBER 27, 1989  
(9/25 - draft four)

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PORTER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STUDDERT	<input type="checkbox"/>	<input type="checkbox"/>
BATES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	UNTERMAYER	<input type="checkbox"/>	<input type="checkbox"/>
BREEDEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>ROGERS</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>PINKERTON</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CICCONI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>BOSKIN</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEMAREST	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>WINSTON</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>                    </u>	<input type="checkbox"/>	<input type="checkbox"/>
GRAY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>                    </u>	<input type="checkbox"/>	<input type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input type="checkbox"/>	<u>                    </u>	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The attached has been forwarded to the President.

RESPONSE:

James W. Cicconi  
Assistant to the President  
and Deputy to the Chief of Staff  
Ext. 2702

THE WHITE HOUSE  
WASHINGTON

SEP 25 8:34

September 25, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

THROUGH: CHRISS WINSTON *CW*  
FROM: EDWARD McNALLY *EM*  
SUBJECT: REMARKS FOR THE WORLD BANK/IMF ANNUAL MEETING

I. SUMMARY

Attached for your consideration and review are draft remarks for Wednesday morning's address to the annual meeting of the World Bank and the International Monetary Fund.

II. DISCUSSION

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You will be introduced by Treasury Secretary Nicholas Brady. An audience of approximately 3,500 international bankers is expected to attend.

The attached remarks were originally developed in a draft prepared by the Treasury Department, after being re-worked here by Stephen Farrar, Associate Director for International Economic Policy in Roger Porter's Office. The remarks emphasize your belief in the power of free markets and free choices to bring about national prosperity for any country, offer your support for the Brady Plan for debt relief, and underscore your commitment to safeguarding the environment even while promoting economic development abroad.

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The jury is no longer out. Look at the two economic systems and see who has prospered and who has struggled. \ \ Let's put an end to this economic experiment. \ \ Because history has decided. [[PAUSE]]

It is not climate, natural resources, or cultural traditions that make the difference. I said it in my inaugural address:

"We know what works: Freedom works. We know what's right: Freedom is right. We know how to secure a more just and prosperous life for man on Earth: through free markets, free speech, free elections, and the exercise of free will unhampered by the state." [[PAUSE]]

In Latin America, Africa, and elsewhere, courageous leaders are turning away from state control of their economies. Through economic restructuring and deregulation, they are opening the door to private initiative. And already they are seeing results.

In Mexico, for example, sound economic policies adopted by the Salinas government -- coupled with their recent agreement with creditor banks -- are leading to increased capital and foreign investment, and reduced domestic interest rates.

Even more stunning is the transformation in thinking in the communist countries -- not only in the Soviet Union, but in Eastern Europe.

Our recent travels among the people of Poland and Hungary led to many dramatic and stirring encounters. But almost as much as we were impressed by the people, we were impressed by the almost universal acceptance of the free market as the best hope -- indeed, the only hope -- for reversing the economic fortunes of these two proud countries.

The rediscovery of these basic truths in the East has been matched by a recommitment to them in the West. Today the members of the European Community are dedicated to eliminating internal barriers to economic activity by the end of 1992. And, Europe's leaders assure me that this will not be at the cost of new external barriers to trade with the E.C.

The Peruvian economist, Hernando de Soto, has helped us understand this worldwide phenomenon by documenting the process in Latin America.

De Soto was raised in Peru, and educated there and in Europe, where he lived until 1979. But the chronic privation of his homeland haunted him. Rather than analyzing flow-charts or official statistics for the answer, he began walking the streets of Lima.

He found that the poor of Latin America -- who have never read Jefferson or Adam Smith -- ran their affairs democratically, outside the formal economy, organizing their private, parallel economy in a free and unregulated manner.

De Soto's great contribution has been to point out what, in retrospect, may seem obvious: **People everywhere want the same**

things. And when left alone by government, people everywhere organize their lives in remarkably similar ways.

De Soto's prescription offers a clear and promising alternative to economic stagnation in Latin America and other parts of the world. Governments must bring the "informal" workers into the regular economy -- and then get out of the way, and let individual enterprise flourish.

The wider application of these principles within our economies is critical to achieving the stronger, more prosperous, global economy of tomorrow.

We each must do our part. The industrial countries have a special responsibility. We must coordinate economic policies to help provide sustained growth with low inflation, reduced trade imbalances, and greater stability in exchange markets.

We in the United States are working especially hard to reduce the federal budget deficit, and to increase our national savings rate.

All our nations have a responsibility to ensure a fair and open trading system. We have a tremendous opportunity to advance that cause now, by making a success of the Uruguay Round of trade negotiations.

Making the political commitments necessary to ensure a success will not be easy in any of our countries. But it must be done. We must strengthen the GATT, and allow our markets to open in a mutual, step-by-step fashion.

As we seek to extend and expand growth in the world economy, the debt problems faced by developing countries are central to the agendas of the IMF and the World Bank. Over the past year, the international community's strengthened approach to these problems has provided new hope for debtor nations.

America's Secretary of the Treasury, my good friend Nick Brady, has helped direct the focus on debt reduction as a complement to continued new lending -- bringing developing nations and commercial banks back to where they belong: the negotiating table.

Quick action by both the IMF and the World Bank has given this new strategy vital support. By making clear the terms under which they will support the reduction of debt burdens -- and by working with countries to develop the necessary economic reform programs -- these institutions have made it possible to reduce debt burdens and provide a solid foundation for growth.

Thanks to these initiatives, Mexico reached an agreement in July with its creditor banks. The deal enabled Mexico to make enormous progress in reducing its debt burden. It also helped restore confidence in the Mexican economy which has already resulted in a return of flight capital and new foreign investment.

This agreement underscores the benefits other debtor countries stand to realize from this approach. Mexico's savings from this package will free resources for productive use in the economy, leading to increased investment and improved growth.

What Mexico has done is not a miracle. It is a product of hard work and sustained commitment.

The strengthened debt strategy is flexible enough to address the unique needs of each country. But the strategy will not work without sound economic policies in debtor countries.

Inefficient, unrealistic, and growth-stifling policies must go. Benefits are available to a broad range of other countries that pursue economic reforms. Several are now actively engaged with the IMF and World Bank, and with the banking community -- Costa Rica, Venezuela, Poland, and Morocco, to name a few.

Commercial banks have a special role in making this process work. It is important that the banks follow through on efforts made with Mexico and the Philippines, and broaden their efforts with other countries.

We encourage these efforts not as self-sacrifice -- but as self-interest. True, success not only will help the debtor nations. But it will also strengthen the banks, by putting their portfolios on a sounder footing.

One of the lessons of the 1980's, especially the debt crisis, is that we're all in this together. And when we cooperate, we all come out winners.

The IMF and the World Bank are at the crossroads of our cooperative efforts. They are distinct institutions, even though their work is complementary and their objectives often overlap.

The IMF must continue to foster the sound economic policies necessary for sustained growth. As part of that responsibility,

the Fund has assumed an important and welcome role in the strengthened debt strategy.

The United States recognizes that the IMF must have adequate resources to fulfill its critical role. We will continue to work with other members, in the hope of reaching a decision on quotas by the end of the year. The United States has always supported the IMF and will continue to do so.

We all look to the World Bank to help build the foundation for a future global prosperity that reaches all our citizens.

Its efforts to promote structural reform and development are crucial to resolving debt problems. The Bank's decisions to take on new responsibilities on the debt front are welcome.

In order to address the significant problems of the poorest countries, the international community established the International Development Association (IDA) within the Bank as a means of providing concessional resources to those countries. I.D.A. will continue to have the support of the United States as it has had in the past.

We have also learned, as I emphasized Monday at the U.N., and last summer at the Paris Summit, that **environmental destruction knows no borders.**

The twin problems of crushing debt levels and a deteriorating environment threaten the development of our neighbors in Latin America, Africa, parts of Asia and even Europe. And global warming and rapid deforestation pose a threat to all humankind.

**We face unprecedented problems. We need -- and we can find -- unprecedented solutions.**

To make growth truly sustainable, we must weigh environmental considerations more heavily as we make economic decisions. We must also find ways to strengthen our environmental and developmental efforts, through innovative thinking such as "debt for nature transactions."

Over the years -- as we've come to understand the crippling effects environmental destruction can have on the long-term growth of developing countries -- the World Bank has increased the priority it assigns to environmental concerns. We applaud the efforts made thus far. But there is more to be done. In particular, we need to work more cooperatively to develop constructive solutions to global warming, including measures to promote energy efficiency and conservation and greater protection of forest resources.

In addressing the challenges of the 1980's, we have come to a deeper understanding of the importance of cooperating as a community of nations to address common problems.

I can think of no better current example than the need to work together to deal with international drug trafficking and money laundering. It is a worldwide problem. Drug money undermines honest businesses, corrupts political institutions, and even threatens the security of nations. To conceal their obscene profits, drug barons must wash their money by cycling it

through financial institutions and illegitimate shell corporations.

The United States renews its call upon all countries to ratify the United Nations Vienna Convention, and make money laundering a criminal and extraditable offense. We need tough measures to track down and confiscate the profits of drug-related crime.

I was encouraged at the 1989 Economic Summit, when the G-7 industrial democracies demonstrated an active interest in a coordinated response to the money laundering menace. My country will host next year's summit, and I guarantee that the United States will be pushing for further progress and bold action. I urge everyone to join with us to explore new ways to stop money laundering in its tracks.

This, too, is a matter of returning to basic truths. More than thirty years ago, President Eisenhower spoke to this group about his experiences in wartime. He recalled working with groups that had to develop real cooperation among themselves -- or there could be no success.

Ike noted, as I do now, that there were people in the audience who were our allies in that grand effort. He said:

"We early found one thing: without the heart, without the enthusiasm for the cause in which we were working, no cooperation was possible. With that enthusiasm, subordinating all else to the advancement of the cause, cooperation was easy."

Today our mutual efforts to improve global growth, to ease the burdens of developing country indebtedness, and to open up markets for trade, have demonstrated anew that progress is best achieved by facing pressing issues together.

This is a lesson we must carry with us into the 1990's if we are to pass on to future generations a global economy that is strong and resilient, and able to provide for the aspirations of the citizens of all our countries.

Thank you for your hard work, your service, your commitment. And thank you for coming to Washington. Godspeed you in your efforts here, and God bless you and the nations you represent.

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