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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **ANTONIO DE SOUSA FRANCO**,  
Governor of the Bank for **PORTUGAL**,  
at the Joint Annual Discussion

As delivered

The Hon. Prof. ANTONIO SOUSA FRANCO  
Governor of the Bank for PORTUGAL  
At the Joint Annual Meeting  
October 6, 1998

Mr. Chairman,

The world is facing an unexpected but decisive crossroad. The economic outlook has quickly deteriorated and what began a year ago or so in East Asia as a regional crisis has spread to other parts of the globe and is threatening social and economic stability in many countries. Solidarity and equity, as well as freedom suffer from that situation. Sound growth is more than always imperative and we should keep on fighting for it with wise and successful policies.

As the Austrian President of the EU Council has said, developments in the European Union have contributed towards international financial stability and sustainable non-inflationary growth. The high degree of convergence among European economies and the effective beginning of the euro – single European currency common to 11 countries - within less than three months have strongly helped to reduce market instability and to promote and preserve economic recovery. Today, in the world economy, the European Union is a pillar of sustained economic growth and employment, reaping the rewards of stability and budgetary adjustment and is contributing to long-term growth and employment. This concerted strategy is favorably influencing developments in the global

economy but remains insufficient to eliminate the contagion effect. In a global world, crises tend to be global and demand global action.

An intense cooperative effort by all members of the world economy, both individually and at regional or universal level, is needed to find again the path to economic growth and employment. It should start with sound economic policies and strong structural reform programs, especially in crisis-countries. Continued persistent implementation of reform programs should restore confidence, reverse the dramatic social and economic costs of the present situation and lead to a resumption of resources to finance growth.

The international community is challenged to work hardly towards reforming the global financial architecture with the aims of reducing the frequency and severity of financial instability, and, whenever it occurs, to deal with it more effectively. The advent of the euro will be a major contribution from Europe towards the smooth functioning of the international monetary system. The IMF should remain as the centerpiece of the global financial system and should, in a short term, be provided with and create accrued means to meet its responsibilities. However, although urgent and necessary, this is not enough from a long-term perspective. The global economy needs efficient and new global rules and institutions, and it is our duty to provide them.

We need a sound and transparent international financial system supported by better prudential supervision and efficiently regulated institutions, improved and expanded surveillance and disclosure of transparent, accurate, and timely data.

Attention has to be given to foster an orderly and well-sequenced liberalization of the capital movements. Sound financial sectors, strong supervision systems and appropriate macroeconomic policies are preconditions for successful capital account liberalization. The IMF and the World Bank need to give these issues high priority, working and more closely together and with the others to assist members in managing more effectively the risks of global integration. However, the real social and economic costs of these crises have to go hand in hand and the World Bank remains as the key player in helping developing and emerging countries to reduce poverty and to improve social welfare in a sustained manner.

Portugal supports the idea that, beyond immediate resources and programs, to deter fears and speculation, new times demand new horizons. A new Bretton Woods for the XXI century should be prepared, in order to generate new forms of political legitimacy, reinforce the governance of the IMF and the World Bank, restructure financial markets and institutions and involve the states and the private sector in the resolution of the crisis and the full resumption of strong non-inflationary growth. Many of us - all of us - agree with the principle perhaps with solution. Let's pass to action. Immediately and strongly.

Mr. Chairman,

Finally, I would not like to end without a reference to the HIPC Initiative and to the needs of post-conflict countries. Portugal is glad to see that the Initiative is well under way. I would urge members of the international community to ensure quickly the financing of the initiative. On the other hand I would encourage eligible countries to

pursue the adjustment programs to qualify for this assistance. Post-conflict countries face tremendous needs and the international community has to be creative in responding to the challenge in a fairly shared and coordinated response.